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JUNE, 1955

Among the Features

AMERICAN MANAGEMENT ASSOCIATION

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JUNE, 1955

The Management Review

A Partial List of Contents

The New Boom Gets Rolling

Now comes the shock of recognition: 1955 will set an all-time record for the U. S. economy.

This is no jog within a general pattern of stagnation. We are in the middle of a strong, broadly based upswing in the business cycle.

Consumer spending will continue to rise to record levels. Capital spending by business has swung around and will set a new high. Inventories, stable from last October through February, are moving up after their year-long decline.

There's no longer any danger that the force of the cyclical upsurge will be reversed by radical slumps in housing or autos. On the contrary, the cycle will probably keep autos and housing from slipping much in the second half of the year.

The real question now is not whether the economy will set a record but whether it will go too fast, plunging into a period of inflationary strain and overexpansion which could worsen the outlook for 1956.

The low point in the recession came in the third quarter of 1954, with Gross National Product at $355.5 billion. In the fourth quarter, the rate of GNP rose $6.5 billion, and in the first quarter of 1955, another $8 billion. That trend has not been arrested. GNP is probably running today at an annual rate above $375 billion.

The most powerful factor in checking and reversing the recession has been consumer spending, sustained by credit expansion and by that imponderable, "confidence." Spending rose from $230 billion in 1953 to $234 billion in 1954. Now it is going ahead even faster. Consumers are much more optimistic about general business outlook than they were last year. Many more expect higher incomes this year. As the business cycle rises, it is in fact lifting consumers' spending above past plans. That's why earlier worries about the markets for housing and autos are fading.

But what makes this a period of powerful cyclical advance is not the continued rise in consumer demand but the somewhat tardy and all the more dramatic turn-around in business investment.

Business plans for spending on new plant and equipment have swung about in a wide arc. Only six months ago, manufacturers still planned to spend 7 per cent less on plant and equipment in 1955 than in 1954. All business planned a 5 per cent reduction. But now the McGraw-Hill survey reveals a change of course. Manufacturers plan 3 per cent more capital spending this year than last, and all business plans to spend 5 per cent more.

The National Machine Tool Builders Association now reports that orders for machine tools, which had reached a low of $35 million in November, 1954, rose to more than $60 million during each month of this year's first quarter. If this rate is no more than maintained

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through the rest of the year, the 1955 total will be 32 per cent higher than in 1954.

Thus far, signs of inflationary strain have been slow to develop. The Labor Department's Bureau of Labor Statistics cost of living index has looked remarkably steady—but this conceals much shifting about within the index. Food and apparel prices have moved down, most other prices are edging up.

Customarily, however, inflationary tendencies show themselves first in wholesale rather than retail prices. Wholesale prices of all commodities other than farm and food—mostly industrial materials—have been crawling upward since 1953. Wages have also been rising.

The worrisome thing in the present picture is that this upward-moving cycle may generate within itself—as have all past cycles—opposing factors that will at last arrest progress and lead to a sharp contraction. This could come about, at length, if sales fail to rise as much as expected—even though they go on rising—and business men begin to worry that they've laid in too heavy inventories, that they've expanded capacity too much. It can also happen if consumers decide they've been piling up too much debt and they'd better work debts down.

That's why government today is gently restraining credit expansion.

But it's clear that, as some Wall Streeters are saying, the government "isn't afraid of prosperity." It wants to keep the economy expanding, and it figures it can do that by keeping a fair amount of pressure on the reins of a horse that threatens to jump off the road and head for the rhubarb.

Nevertheless, at this point, the worries remain no more than worries. The fact is this: The U. S. economy is going over the top again this year.

—*Business Week*, April 30, 1955, p. 25:2.

Horsepower and Horse Sense

TECHNOLOGICAL progress is the very life force of our American economic system—a wave of the future so elemental that in time it surely must overwhelm all opposition. The social manipulators—the reactionary men and systems who oppose technological progress—must some day answer to the poor and hungry masses of the world.

In the U. S. all signs now point to a premium labor market in the foreseeable future. Our population will increase 20 per cent in the next 10 years, but the age group actually available for jobs will increase by only 6 per cent. There's absolutely no evidence now to justify predictions of large-scale unemployment—particularly so far as the effects of automation are concerned.

I don't mean to suggest that technological improvements do not ever create problems. Any change involves problems. Machines do constantly eliminate certain kinds of jobs. In some areas where industries have been par-

tially obsoleted, whole communities may suffer real hardship, and remedial measures may be called for. Unemployment is hard on those who, through no fault of their own, are out of work.

There is hardly anyone who isn't very strongly in favor of stable employment. A real sense of job security would clearly do much to promote the psychology of optimism and well-being which will keep us moving forward at top speed. It would minimize resistance to technological progress and change. It could destroy much lingering hostility to the business system and promote industrial peace. Clearly, we should continue to explore means to so desirable an end.

I believe we can do it without in any way undermining free enterprise or resorting to so-called "creeping socialism." I believe we can do it without piecemeal experimenting with dangerous medicines on guinea-pig industries, or without creating a special caste of privileged working people whose short-term security is underwritten by the increased insecurity of others—and, in fact, by the long-term insecurity of everybody.

Our first concern should be to concentrate on making fast obsolescence palatable to people—in short, to sell people on the flexible, dynamic, risk-taking economy. And the best way to do that is to justify a deep-down feeling that nothing too bad is going to happen to any of us—to our jobs, our homes, our families. If our country can, as I believe it can, put a solid foundation of reasonable security under America's income, then I believe our people will cheerfully put up with the sporadic irritations and upsets that go along with the free competitive system.

Perhaps what is needed is a new kind of prosperity insurance policy based on a reasonable, businesslike, pay-as-you-go plan, with limited and predictable costs. But before we can achieve that goal, some of us are going to have to adjust our thinking. We are going to have to recognize and accept fully the fact that we do have a new kind of economic and political institution. We are going to have to rid our minds of some of the theoretical dogma of 18th-century capitalism.

I, for one, am highly impatient with the reactionary thinking of some union leaders, who stand resolutely against progress, who resist the introduction of new machines and methods, who seek to preserve obsolete trades and skills, who generally are wedded to the mean and miserly concept of a mature economy that's going nowhere —in short, the advocates of guaranteed annual stagnation. I am just as impatient with the slavish and stereotyped thinking which has led some business men to consider "security" a bad word and to brand all concern for human and social progress as communism or "creeping socialism."

Out of the great reserve of wealth produced and stored up by the American business system we have already created an unheard-of degree of security—with wealth and with freedom—for the American home. We have shored it up with the minimum wage, with public and private pensions and hospitalization plans, with Social Security, and with the various state unemployment compensation programs.

By any realistic judgment we must

conclude that our social welfare measures have strengthened our economy and contributed to our prosperity. They have not as yet appeared to threaten private enterprise nor, as yet, undermined the incentive to work—a possibility which must at all costs be avoided. They must be considered as a basic and legitimate part of the new American economy.

We have had 10 years of great progress. We are doing pretty well today —but nothing like what we shall be doing 10 years from now. It's not at all too wild a dream to talk of a $500 billion Gross National Product, or about a richer, fuller, more secure life for all Americans in 1965. Nothing less than catastrophe will stop us from achieving these things.

We shall of course get them at a price. But the price we shall pay in this new American economy will be nothing like the price people paid for progress a century ago or even 40, 30, or 20 years ago. Today the price tag of progress is enormously reduced. It is mainly a readiness to accept and to adapt to change, to risk some temporary hardship against the assurance of a better future.

—From an address by Henry Ford II before the American Newspaper Publishers Association.

New Data on Management Compensation

FACTORY MANAGERS and factory superintendents earn almost $2,000 a year more, on the average, than their counterparts in the sales field (regional and district sales managers), according to preliminary results of the American Management Association's fourth annual survey of middle management compensation. This is something of a reversal, since previous AMA surveys have shown that company top sales executives are usually higher paid than top manufacturing executives.

The current study reveals that the average annual compensation of regional and district sales managers is $12,000, compared to $14,000 for factory managers and factory superintendents. The average age of men in these four positions is 45 years; average length of service in their present jobs is four years.

The study, which is currently being distributed to its subscribers, is the most comprehensive of its kind ever made. It covers the compensation paid to more than 3,000 "middle management" executives (those in nearly 60 different job functions from the top policy-making level to that of general foreman or supervisor) in 125 American companies. Among the newly included position categories, for which information will be made available for the first time, are the company sales training executive, traffic executive, industrial physician, company cafeteria manager, safety director, and warehousing executive.

TOP MANAGEMENT BLUNDERS: According to a recent survey made among 746 members of the Young Presidents' Organization, the most common mistakes of company presidents are (1) failure to hire an outstanding executive because no specific job is open at the moment; (2) failure to replace a weak executive promptly enough.

Two "Economy Crusades"

A CERTAIN COMPANY which for several years had enjoyed good business and paid good dividends struck hard going. Its backlog of orders fell off sharply, and its profits began to shrink alarmingly.

The president called his official family together and outlined a drastic economy program. Every item of expense was to be "double challenged," to use the president's term. The whole organization was to be enlisted in an economy crusade. Its slogan: Save dollars! Save dimes! Save even pennies!

Soon everybody was running around in worried circles, turning off lights to save electricity, saving sheets of paper, using lead pencils down to stubs, and asking anxiously, "How else can we save money?"

The morale of the organization broke down. Nobody dared spend money on promotion plans or for new machinery or equipment or services for fear the expenditure would not pay off overnight.

That business is in a bad way today.

In a somewhat similar situation, at about the same time, the president of another company tackled the problem in this fashion: Taking one department at a time, over a short period, he met with the department head and his chief lieutenants and said something like this to each group: "We are in a rather tough competitive situation. Our backlog of orders is uncomfortably low. We haven't earned our dividend the past two quarters. But we mustn't let our growth program lag; and we must not let anything undermine the long-range security of our company, or the confidence of our people. I am not proposing an 'economy drive,' but a progress program based on measuring every dollar of expenditure against three test questions:

"1. Is this expenditure likely to produce more business for our company, more quickly and surely, than the same amount of money spent any other way?

"2. Does this expenditure give almost certain promise of resulting in sufficient production or operating improvement or economy to warrant the investment?

"3. Could we possibly work out a plan or method for getting the same result with an expenditure half or two-thirds as large?

This business not only weathered the rough going at the time, but it speedily gained on its competition and is today in the soundest position in its history.

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 66

THE NEIGHBORS ARE WATCHING: Canadian business men view their American counterparts with mixed feelings of admiration and disapproval, a survey by *The Financial Post* (Toronto, Ont.) reveals. The average Canadian executive, it appears, credits his American cousin with "initiative and enterprise" but thinks he has a tendency to oversell. "Canadians," one contributor summed up, "have fewer ulcers, fewer divorces, play less, seek less publicity, are less friendly and have less money. We play the negative more than the positive . . . I wish they were a little more like us and we a little more like them."

—*Horizons*

Timing Your Retirement

Is "age 65" too early—or too late—for your retirement? This is no academic question for many hundreds of business men and corporation executives. It is a deadly serious one and very close to the heart.

The plain truth is that "age 65" has become a sort of sacred cow in the timing of retirement. Of course many important influences point to that particular age in any consideration of personal retirement plans, but seldom is it quite so compulsory a date as may appear at first glance, especially for executives. Accordingly, men who have attained some stature in their work situation should seriously ponder the advantages of leaving their "career jobs" a few years before, or after, they have reached that so-called "normal retirement age."

The writer, as an investment counselor, has made a point of discussing retirement planning both with men who are contemplating retirement and with those who have retired. The conclusions that follow are essentially a summation of these many interviews.

Obviously, a great many executives leave their companies upon reaching 65 because this gives them the maximum pension benefits under their organization's retirement annuity plan—whether or not retirement is compulsory at that age. But this is not necessarily a compelling reason. Indeed, thoroughgoing consideration by the individual, instead of just more or less drifting toward a foregone conclusion, may well indicate the desirability of discounting this factor. What one wants to do after retirement can be more important, and the best age for such a program to start might be either earlier or later than 65.

Consider some of the reported reasons for leaving one's organization some years before reaching 65:

1. If a man wants to continue paid employment as long as possible, he should have a considerably better chance of achieving that objective—and of establishing himself satisfactorily in some new line of work—if he retires before reaching 65.

2. Company associates are more apt to request the retiree's advice (with or without a consulting fee) on the assumption that men who retire early are more likely to be alert than those who stay on to a later age.

3. If income is secondary, a man who retires early has a better opportunity to select the sort of thing he really wants to do; and he may, in fact, prefer the new work over staying with his company.

4. A careful checking of financial needs after retirement may result in the conclusion that more net income is not needed—or is unimportant in relation to the advantages of early retirement.

5. Some men want to retire early in order to follow part-time or full-time work which does not require so much responsibility. They believe this objective will reduce nervous strain, add to peace of mind, and perhaps contribute to their good health and life expectancy.

6. By leaving his company some years before reaching 65, a man has a better chance of keeping full confidence in himself. There is more likelihood, therefore, that he will be successful in his new undertakings, whatever they may be.

7. In the event that some sort of "terminal assignment" is announced or indicated for approximately age 60, executives often become bored and unhappy.

The matter of "compulsory" retirement obviously has a bearing on retirement after 65. While many company plans require that all executives shall retire when they reach 65, there appears to be a growing number of such companies that are not applying this policy with absolute rigidity.

Here are the reasons cited for an executive's continuing with his company for some years after reaching 65:

1. Many executives who are healthy and alert can serve their organizations well by continuing on their jobs for at least a few more years, if they wish to do so.

2. If company policy precludes keeping any executives in operating positions after 65, at least some men can be used profitably for special investigations and other new assignments which younger executives, with full operating responsibilities, do not have time to carry out.

3. Continued association with one's company and its people provides prestige and personal satisfaction.

4. Some executives who have worked all their business lives with one company, especially if their assignment has been an inside one, feel they just cannot become accustomed to any new work relationship.

5. Many men have saved so little money, up to age 65, that they have an insufficient backlog to cover emergencies and provide adequate retirement income.

6. After reaching 65, many men wish to engage in part-time work which particularly fits their capabilities and desires.

7. As a main objective, keeping in the stream of business as long as possible appeals to many executives.

8. In a large proportion of cases, executives do not have sufficient non-business pursuits to provide an adequate work-interest program, even though they may not need monetary return.

Careful consideration of the foregoing reasons for leaving one's organization some years before reaching age 65 and those for postponing action until some years after that time should be of some assistance in reaching a satisfactory solution. In addition, there are some guideposts which may prove helpful in making these important personal decisions.

The first area for action is that of financial preparation. Here is a check list which may serve to guide you in considering the adequacy of your financial preparation for retirement—five questions which should be answered thoughtfully and honestly:

How much could you cut down your cost of living and still be reasonably content? Would it be wise to move to another community where life is simpler all around?

Have you investigated how the 1954 laws covering Social Security and personal income taxes assist you and your wife after reaching 65?

Are you—by laudable but perhaps inconsistent decisions to leave relatively large amounts of money to your children or to worthy causes—precluding a sound financial program which would permit your retirement in comfortable circumstances?

Are you getting adequate advice on both protecting and enhancing your investments? Do you know about what rate of income from your investments you should consider proper and probable after retirement?

Are you aware of the value of the annuity options in some of your old life insurance policies—particularly those taken out before 1934? Compared with policies available today, these annuity amounts are considerably larger, especially when made payable to a surviving wife. This may mean that some investment capital can prudently be spent during your lifetime.

Beyond the financial aspects of your retirement planning lie the important

questions pertaining to work and leisure activities, and to the timing of retirement. Here are a few guideposts which apply particularly to these significant considerations:

First, do not let yourself be influenced too much by the general custom of retirement at 65. For you, such timing may be either too early or too late.

Next, make an honest appraisal of your personality, talents, motivation, social desires, and hobbies, along with business and non-business interests. Round out the inventory by consulting with your wife, for her appraisal may differ from your own. And by all means let your doctor help in the important size-up of your physical and mental health.

Keep in mind that adjustment to new work, whether it comes before or after reaching 65, will probably be easier if there have been a number of changes in working routines during your career.

Talk over the timing of your retirement and your contemplated work-program with your wife, and weigh her feelings carefully. (And do not be surprised if differences in the views of your wife and yourself on matters bearing on retirement are greater than on most subjects you have discussed together previously.) A complete understanding and an arrangement that is mutually acceptable are essential if you are both to be happy.

Build your retirement plan carefully; don't just slap it together with a few boards and a canvas cover. This will probably mean doing it the long, hard way, so that ideas will have time to jell and then be thought through again from another angle. If you try to complete your plan too early, it may get bogged down in a multitude of details and uncertainties. If you start too late, it may be inadequate or too general and indefinite.

Include some flexibility in your plan, whatever its timing may be, so that you may later "bend with the wind" if need be. Many retired executives emphasize that too much activity preparation is no fault, but that too little may be.

Find opportunities to test your ideas in advance as much as possible. This is especially important if a change in home location is involved.

And, finally, adopt a positive attitude toward retirement. Look upon it as a new and interesting phase in your life. Let "R" day be comparable with "G" day when you finished college, or "W" day when you took unto yourself a life partner. Retirement should be a challenge and an opportunity to broaden your pattern of living.

—Paul T. Babson. *Harvard Business Review*, March-April, 1955, p. 68:7.

PROFIT-SHARING PROGRAMS covering both hourly and salaried employees were found to be in operation in roughly one-quarter of the 403 representative companies recently surveyed by *Mill & Factory*. Individual shares are based chiefly on the salary earned, according to 56 per cent of the respondents. Most of the plans have service requirements for eligibility—ranging from six months in some companies to as long as five years in others.

Installing a Clerical Quality Control Program

ALTHOUGH our clerical quality control program at A. B. Dick Co. offices is in its infancy, it is a healthy operation.

We employ about 1,600 people. Of these, approximately 300 are directly and primarily concerned with turning out our major tangible office product, paperwork. These people are divided among more than 40 organizational units, usually called sections, the largest of which numbers around 35. Four others comprise about 20 employees each, and the remainder are largely groups of seven or fewer.

Though small groups do not eliminate the possibility of applying quality control beneficially, the best places to begin looking for opportunities are the larger organization units where the same kind of work is done continuously by a group of workers at approximately the same level.

First, then, it is necessary to identify all areas where measurable, repetitive tasks are being performed; areas where volumes of paper are being created, processed, or used to accomplish things which need to be done—e.g., typing, transcribing, computing, entering, and checking. Also, identify all areas where the cost of performing these volume tasks is relatively high, either per unit, in total, or both. Consider, too, the indirect cost of errors which generate delays and errors further down the line.

The first area we selected was our Order and Billing Section, which then had 28 clerical people. Operations include the customary sorting, screening, editing, pricing, entering of customers' orders, and billing. Here vital, urgent, repetitive detail work was being done continuously, and the costs—both obvious and hidden—were thought to be high. Accuracy was over 99 per cent, but to get this result, we had two of the top-rated people in the section checking all order-entering, full time, at a cost of over $6,000 per year. Another one and one-half man-years were spent on checking billing; over $10,000 in all.

Our present plan is to train one or more of the procedures staff in the fundamentals of statistical quality control, so that staff assistance will be available to any line manager who wants to install a program of his own. Unless your program is going to be big enough to require a full-time department or staff group, the line people should be able to install it with some trained staff help if necessary. After all, once it has been installed, the line people will want to—and should—carry on from there.

How did we adapt others' plans and experiences to A. B. Dick Company needs? Here are some excerpts from a report made a year ago February, after one year of operation in order-entering and just as we were installing statistical quality control in billing:

> We decided on January 1, 1953 to run a 60-day test, recording both the quality of work as reflected by 100 per cent inspection and the quality of work as reflected by the inspection of a sample of only 20 per cent. At the end of a month we found that the

quality of work recorded from the 20 per cent sampling inspection was practically identical with the quality of work recorded from the 100 per cent inspection. We therefore decided a further test period was not required and . . . that a 20 per cent random sampling would be sufficient. . . .

Having explained the basic principles of quality control to all order typists, we also acquainted them with the various forms and the use to which each form was to be put. We acquainted them with the records which would be maintained of their individual performance and the availability of the records for their counsel and guidance throughout the months ahead. . . . The performance record of the unit was posted to a control chart.

Whenever the inspection sample indicates a quality level below the danger signal line—that is, the lower control limit—we investigate at once and take necessary steps to correct conditions and to retrain the people who made the errors. We also maintain records for each individual showing the number and type of errors made each month. Such a record is a tool for counseling and training individual employees. It is also useful when making merit appraisals.

Over-all results of our quality control installation have been satisfactory. We improved the quality average by 11/100 of 1 per cent, with an accompanying saving of over $6,000.

—WALLACE M. CARRITHERS. *Management Methods*, April, 1955, p. 31:7.

NATIONAL SAFETY CITATION TO THE "REVIEW"

THE National Safety Council's Public Interest Award for 1954 has been voted to THE MANAGEMENT REVIEW, *it was announced recently by Ned H. Dearborn, President of the Council. Given annually to public information media which in the eyes of the Council's judges have rendered "exceptional service to safety," the award this year went to recipients in the following categories: daily newspapers, weekly newspapers, radio stations and networks, television stations and networks, advertisers, outdoor advertising companies, and general and specialized magazines. The* REVIEW *was one of two general business management magazines in the last-named category to receive this distinction from the Council. Among the outstanding features on industrial safety was "Ten Commandments for Supervisors," since reprinted in several editions and widely distributed.*

"The downward trend in accidental deaths during the past year, especially on the streets and highways, is due in large part to the increasing amount of attention being given to safety by all kinds of public information media," Mr. Dearborn commented in making the announcement. "The media people are tackling the accident problem with vigor, imagination, and initiative, and they are interpreting it to the public in a way that is influencing behavior."

Purchasing Agents Look at the G.A.W.

INDUSTRIAL PURCHASING, which has to adjust its operations to production cycles in its own company, and often in its suppliers, can be directly affected by a guaranteed annual wage. *Purchasing* magazine recently asked purchasing agents in a cross-section of industry for their opinions on the general question of the G.A.W., and on the specific aspects that relate directly to buying.

Fifty-four per cent of the respondents believe that a guaranteed annual wage, if generally applied, would have little tendency to stabilize industrial production. Thirty-eight per cent said they thought it would have such an effect to a moderate degree and 8 per cent thought production would be "effectively" stabilized by a G.A.W. Asked whether they thought such stabilization would tend to retard industrial expansion, to avoid expanding guaranteed wage commitments, 77 per cent answered "Yes."

"Assuming relative stability in production due to the guaranteed annual wage," respondents were asked, "do you think this would simplify and improve internal purchasing operations, through a more even flow of materials, better use of facilities, longer-range scheduling, etc.?" The answers were almost equally divided: 51 per cent "Yes," 49 per cent "No." Fewer than half of the respondents believe that such stabilization would improve purchasing's position with suppliers in respect to supply, prices, quality, or service.

A bare majority—51 per cent—of the purchasing agents queried said they do not believe that the necessity for maintaining volume to meet G.A.W. commitments would result in generally greater competition. Fifty-three per cent felt that present moves being made in behalf of the guaranteed annual wage are causing psychological pressure to keep prices up. Finally, only 7 per cent said they believe, in principle, that such factors as wages, prices, demand, etc., can be guaranteed in a free-enterprise economy.

Automatic Machinery—Friend or Foe to Labor?

LABOR will be the chief beneficiary of labor-replacing automatic machinery, according to a study recently published by Clyde E. Dankert of the Department of Economics at Dartmouth College.

Professor Dankert's study—one of a series of publications financed by a grant from the Alfred P. Sloan Foundation—analyzes a tendency for the gains of technological change to flow increasingly to labor instead of to the consumer. Pointing out the reasons for this development, the author shows that the consequences include: (1) Changes in the pattern of real income distribution; (2) changes in the pattern of consumption and production; and (3) an intensification of the labor displacement problem.

The study also proposes policies to reduce the impact of some of these consequences. Single copies of the research study, which is entitled *Technological Change: Who Gets the Benefits?*, are available gratis from the Dean, Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H.

Improving Materials Handling: New Trends and Techniques

For thousands of years man has concentrated on improving the techniques of making things, but he has given relatively little attention to improving the techniques of moving them.

If manufacturing efficiency can be described as actual production operation time divided by elapsed time in a plant, what sort of efficiency do we find? Study of a recent specialty item showed that from receipt to shipping the materials were in the plant 240 hours. Slightly more than 10 hours were devoted to actual processing of the material. This is a manufacturing efficiency of 4 per cent. This example is not extreme; it is an outstanding performance compared to routine production.

Realizing that materials handling offers major opportunities for methods improvement, many firms have appointed materials-handling engineers to specialize in methods improvement in this area and/or materials-handling managers to operate materials-handling facilities on an integrated plant-wide basis. As a result, several major materials-handling improvements have emerged. Among the more obvious are these:

Growing reliance on the conveyer. In hundreds of plants some form of the conveyer has become the heart of the plant's activity. The newest plants are built around the conveyer, which can be used not only to transport materials from operation to operation, but also to fix the sequence of operations and start production actions. In some plants the conveyer is being introduced as a storage device, so that the flow of raw materials from storage to production is just as mechanized and consistent as production itself.

The impetus toward automation. Though many people believe that only the mass-production industries can make progress in this direction, this is not so. As an example of semi-automation, consider the home-made railroad tie-handling system, in which semi-pushbutton unloading of railroad ties, semi-automatic stacking, and mechanized movement into storage have been developed most ingeniously.

Extension of unit-load concept. Recently, studies have been made of the unit load itself to determine its optimum size for the conditions in question. There is some belief that the optimum size for a unit load may be the size needed at the point of issue so that all breaking down will be eliminated prior to use. Thus the vendor would make up the unit load to the customer's specifications, and this would be handled as a unit until it hit the production line.

The lift truck as the universal handling machine. Hundreds of special attachments have been developed to enable the fork truck to grasp

bales, crates, drums, tanks, rolls, bulk materials, flat sheets, and so on. These attachments are aimed at eliminating pallets or similar accessories and facilitating manipulation of the loads.

Engineered containers. The container involves the mass movement of materials between use points, stacking in unit loads, and the design of an ideal way to get the particular item in and out of the container. Consequently, the engineered container is opening up new frontiers in process design.

Mechanization of communications to speed movement. What controls the speed of material movement through a plant? Some have more than a suspicion that it is the speed at which the paperwork moves. The ability to control, through verbal direction from a single point has produced increases in efficiency ranging from 10 to 200 per cent.

Industrial television is coming into use to control handling operations from a distance. The office dictating machine, in a few instances, has demonstrated that it has possibilities as a production-control device. The integrated control panel, with flashing lights to indicate the status of material in bins and hoppers and the amounts of material on the conveyer lines, with safety indicators, breakdown indicators, and so forth, is giving many a plant a centralized control point. In effect, it provides a living flow chart for production operations.

Continuous weighing, mixing, and blending. New impetus has been given to this field in recent years, and far more of the bulk-handling industries are shifting from batch operations to continuous-mixing operations.

Expansion in overhead handling systems. The monorail, the trolley conveyer, and the stacker crane are spreading rapidly. Advantages are ability to provide the optimum working heights at successive production points, keeping the floor free of clutter, making use of space formerly wasted overhead, and releasing floor space formerly occupied by people or production machinery. Overhead stacking systems based on the stacker crane will go to tremendous heights, which are impossible with fork trucks.

A fascinating and important development is the automatic dispatch system based on the monorail. Special carriers running on these rails and properly controlled move from building to building or machine to machine with no manpower, and with the utmost safety to materials. Automatic dispatch systems can be made selective, so as to go to any one of a number of points as desired. They have been made to search out empty or full locations in storage or processing, and act accordingly with the material.

Growth of yard storage. Buildings are becoming so expensive that much more storage is being done outdoors. This means that the mobile yard crane has become an important handling device in many an industrial plant.

In addition, the lumber carrier or straddle carrier is growing in application. We are beginning to realize that it is a self-loading truck which enables one man to pick up, move, and unload as much as 22 tons. Since

it can be unloaded or loaded in a few seconds and can travel at highway speeds, it has tremendous potential where truckloads must be moved, say, up to 25 miles or so.

The management that wants to accomplish production improvement through better handling must do three things: (1) Recognize the importance of handling in all its operations. (2) Centralize the handling activities under one vigorous authority, charged with both operating and improving handling procedure. (3) Use imagination in conceiving production procedures and arrangements that will integrate the factory into one smooth-running machine.

—From an address by JAMES R. BRIGHT before The American Society of Mechanical Engineers.

Installing the Incentive Plan: One Company's Experience

MOST of the ills which develop out of incentive plans for wage earners stem from one disease—poor communications. The introduction of a new wage pattern for employees almost automatically creates an upsurge of resistances, which can only be dissolved by an effective and well-planned communications program.

Here is how one company undertook to introduce a new incentive plan without falling heir to the misfortunes which have overtaken others. It is a case history of the experience of the Home Heating and Cooling Department of General Electric at Trenton, N. J.

First, of course, came the top-level decision to install an incentive plan in the plant. After the appropriate studies had been made and the right plan had been picked, the executives set aside a three-month period of "indoctrination."

Step One: An Incentive Coordination Committee was formed. This consisted of the plant manager, the manager of manufacturing and engineering, the manager of material, the product engineer, the supervisor of industrial engineering, the superintendent and general foreman, and the industrial relations department.

Step Two: Meetings of one and one-half hours' duration were scheduled weekly. As required, other personnel were called in—motion-time survey people, the production control supervisor, etc. The training department people, too, were invited. At these meetings, each hourly occupation was reviewed in detail to determine what, when, where, and how things had still to be accomplished to get the occupation on incentive at the target date. Specific problems that needed ironing out were assigned to individual participants—with solutions to be presented at the following meeting.

Step Three: While the Incentive Coordinating Committee meetings were being held, a portion of the

weekly meeting with the union negotiating committee was spent discussing the coming incentive application.

Step Four: A "dry run" of production control paperwork began a month before the installation of the plan. This gave the company a good opportunity to train workers and supervisors. During the dry-run procedure, meetings were held with employees, supervisors, and union committeemen.

Step Five: Management men not directly concerned with the running of the incentive plan were given a briefing on the details and objectives of the plan.

Step Six: After the general meetings of large groups, each foreman held special meetings with workers and shop stewards in his own department.

Step Seven: A fortnight before the plan was to go into effect, a letter explaining the incentive went to employee homes. This gave the worker an opportunity to explain the new pay system to the family.

Step Eight: Each foreman received a 12-page breakdown of the incentive plan which he could keep for reference and for asking questions.

Step Nine: To round all this up, the company then had a slide film made for presentation to employees and supervisors.

Step Ten: Finally a 12-page illustrated booklet, "Your Incentive Plan," explaining the workings of the plan, was distributed to all employees. Here's a quote worth recording:

"Remember—under your incentive pay plan:

—You can make more money.

—You get paid for what you do.

—We can keep our costs and prices down, sales up.

—There will be more and better and steadier jobs at Trenton, GE."

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), April 27, 1955, p. 10:4.

Rx for Better Letters

BUSINESS MEN whose letters and other written communications lack straightforwardness and clarity may profit by the prescription given by William Cobbett, suggests a recent issue of *The Curtis Courier*. Cobbett, the self-taught son of a laborer, was born in 1762 in Surrey, England. He wrote dozens of books and pamphlets and did much to influence English legislation. Here is how he advised a nephew on the subject of prose composition:

"The order of the matter will be, in almost all cases, that of your thoughts. Sit down to write what you have thought, and not to think what you shall write. Use the first words that occur to you, and never attempt to alter a thought; for that which has come of itself into your mind is likely to pass into that of another more readily and with more effect than anything which you can, by reflection, invent. . . .

"Follow the order which your thoughts will point out; and it will push you on to get it on paper as quickly and clearly as possible."

Using Contests to Boost Sales: A Survey of Company Practices

TWO-THIRDS of business firms with five or more salesmen are using some sort of sales contest program to stimulate sales, according to a survey of the 2,700 members of the Sales Executives Club.

The survey shows that 67.4 per cent regularly run such contests, 25.8 per cent never ran one, while 6.8 per cent ran contests at one time but gave them up. Of those who don't run contests or gave them up, about two-thirds said that they felt their type of business did not lend itself to running sales contests. Only one firm reported that falling off of sales following a contest was a factor in discontinuing contests.

The greatest number of contests (57 per cent) run for periods of one month to three months. Contests on a seasonal basis are run by 21.5 per cent of the respondents, while 18 per cent run them on a year-round basis. Only a negligible percentage run contests for a period of less than one month.

Most of the respondents (63 per cent) indicated that they run contests "whenever we feel we need one." Regular annual contests are held by 23 per cent; semi-annual contests, by 14 per cent.

As for contest themes, 76.6 per cent have a different one every year, while the balance of those who run contests keep the same running theme year after year.

What principal objectives are sought in running a sales contest? More sales volume was the goal of the majority, 58 per cent. More sales on certain slow items took second highest place, with 20 per cent. More calls on profitable accounts was a poor third, with only 7 per cent. The balance offered a great variety of reasons, principally the aim of establishing better work habits on the part of the salesmen.

Cash, merchandise, travel prizes, and recognition are the leading incentives used, most of the firms employing a combination of these. The leading incentive is cash, with 20 per cent of the respondents using cash exclusively. Cash in combination with other incentives is used by 43 per cent. Indicative of the growing importance of travel prizes is the fact that 29 per cent use them, mostly in combination with other incentives.

Recognition, too, is growing in importance. Some form of special recognition, such as the Distinguished Salesman Award trophy offered by the Sales Executives Club, is incorporated into 29 per cent of the programs. Only 2 per cent rely exclusively on recognition.

Here is a breakdown of the incentive combinations used: cash exclusively, 20 per cent; merchandise exclusively, 13 per cent; travel prizes exclusively, 2 per cent; recognition exclusively, 2 per cent; cash, merchandise, travel, and recognition, 5.6 per cent; cash and merchandise, 15.6 per cent; merchandise, travel, and recogni-

tion, 2 per cent; cash, merchandise, and recognition, 5 per cent; merchandise and travel, 8 per cent; cash and recognition, 3 per cent; cash, merchandise, travel, 6 per cent; travel and recognition, 4 per cent; cash, travel, and recognition, 3 per cent; other combinations, 10.8 per cent.

Among other incentives mentioned were: attendance at "100 Per Cent Club" convention, providing salesman with a better car, giving company stock, making low men pay penalties, invitation to president's dinner, and extra vacation time for winners.

In descending order of importance, the following factors are most often taken into consideration in determining winners: percentages of quota; dollar volume; number of new accounts opened; merchandising ability (setting up point of sale material, etc.); and detail work (sales reports, promptness, etc.).

Those answering the questionnaire attached relatively little importance to the philosophy recently advanced that other departments of the company should share in contest prizes because of the extra load a sales contest places on them. Only 7 per cent reported receiving complaints from other departments about this, 57 per cent had received no complaints, while the balance said they either didn't know or considered the matter trivial.

—*New York Sales Executive Weekly* (The Sales Executives Club of New York), March 22, 1955, p. 3:2.

Yardsticks of Progress

SOME EYE-OPENING FIGURES on the rate of U. S. economic progress during the past 25 years appeared recently in the First National Bank of Boston's *New England Letter*. Here, in a nutshell, is what has happened to the American standard of living since 1925:

	1929	1955
Families with own homes	48 per cent	60 per cent
Homes serviced with electricity	75 per cent	98 per cent
Homes with mechanical refrigeration	4 per cent	90 per cent
Telephones per 100 people	15	30
Radio sets	10 million	125 million*
Television sets	0	35 million
Passenger cars per 100 persons	19	28**
Money spent for recreation	$5 billion	$15 billion
Ordinary and group life insurance coverage	$84 billion	$285 billion
High school graduates in populations	13 per cent	42 per cent
College enrollment	1.1 million	2.5 million

* More than the rest of the world combined.
** Seventy-five per cent of the world's passenger cars are in the United States.

Changing the Pattern of Executive Behavior

BERNARD J. MULLER-THYM

SOME YEARS AGO a successful company made a brilliant study of opportunities for increasing managerial effectiveness. Top management is convinced of the direction the company should take. Yet today, long after the completion of the study, little real progress has been made. The usual steps of clarifying responsibilities, planning, and launching programs have brought few changes in the pattern of management action.

Two other companies, again large and successful ones, are presently thinking about decentralization. They want to get the benefits they believe will result from decentralized management—flexibility, more positive profit management, and executive development. Yet they are hesitant to move, because they cannot visualize how to change the management behavior of people raised under a different philosophy of management.

There is no question, therefore, that altering executive behavior is a matter of prime concern in business today. We shall be hearing a great deal more about it in the next few years.

What, practically speaking, can the chief executive—with the means at his disposal, and in the concrete reality of the operating situation—do to change executive behavior?

The first thing that can be done—and must be done in almost all cases—is to put the executive in an appropriate posture of action.

To shape conduct, one must go beyond showing a man what is a good course of action and leaving him. One must also get him consciously involved in action. For conduct is shaped and character is formed only in a context of action. The task of developing a manager or of changing executive behavior has certain classic parallels in human affairs. It is not unlike the task of training a surgeon, a violinist, a statesman, or a good man. A surgeon is not yet a surgeon when he graduates from medical school; he becomes a surgeon by performing a series of operations, under controlled conditions, under the guidance of a senior surgeon. The violin player becomes a violinist by practicing exercises, usually under the direction of a senior, going back over them to correct his mistakes, proceeding thence to exercises of greater difficulty.

DEVELOPING MANAGEMENT EXERCISES

Unfortunately, there does not seem to be any comparable set of management exercises—exercises in delegation, for example. But why cannot a company devise such exercises for its executives? The experience of many companies shows that an executive's behavior will not be changed until the man is involved in action—in the per-

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formance of a real task, the outcome of which will be significant to him, usually set up under the guidance or observation of a skilled senior executive, where the task is so structured that he will have to go about doing it in a manner consistent with the behavior characteristics the company is trying to develop.

Let us take an example. Many of us are familiar with the way things happen in a many-layered, highly functionalized, pyramidal type of organization. There is a constant tendency for authority to float upwards, for decisions to be made at the top. Paperwork multiplies. Management people at all levels are very busy—giving instructions, receiving and passing information, checking on details.

A company in such circumstances may not be ready to reorganize in the ordinary sense of the word. It can, however, begin consciously to create managerial work projects on a variety of problems that will present real challenge to executives, so designed that the members must interact almost as if they were running independent, full-scale activities. In some companies that have done this, scattering such projects throughout the organization and exposing people to such successive work experiences, the changes in executive behavior have been large-scale and dramatic.

MODELS OF EXECUTIVE BEHAVIOR

Companies often face a second kind of problem: Top management may have been able to clarify to itself and partially communicate the sort of executive conduct that will result in more effective managerial action; other members of management may somewhat understand and be in sympathy with what the company is trying to do. Yet they have difficulty in being able to visualize *how* to enter upon the new course of action.

In such circumstances (and this is a good thing to do anyway) the chief executive must provide models of executive conduct at those locations throughout the organization where the behavior of such "good" managers will be visible to the greatest number of people. Ideally, of course, it is best for a man to work for a time under a boss whose working methods are good. But even placing such bosses in a position where their conduct can be observed and serve as a pattern for others to imitate is an important means for changing the behavior of the entire management group.

If a company has decided to decentralize by creating self-sufficient work centers with enlarged powers of decision-making, it will be equally important to consider the new role such a move will create for higher management. For in a company in which higher management has been engrossed in operations, a vacuum will be created by enlarging the scope of the subordinates' jobs. It is as important, therefore, to design appropriate work projects for the vice presidents as for the shop superintendents or the district sales managers.

USING SUBORDINATES TO EDUCATE SUPERIORS

Management literature makes much of the responsibility of superiors for educating their subordinates. Practically nothing is said about subordinates' educating their superiors. Yet this is

one of the greatest possible contributions of the subordinate.

After a self-analysis, the management group in one company agreed on the need to break down feelings of restriction (sometimes imaginary) and create more initiative and self-assurance. Groups of managers and supervisors at the second and third levels held conferences to try to understand the problems of their subordinates better and plan to change their own conduct in relation to their subordinates. In the process, they produced questionnaires, check lists, case examples, which—after they had been collected and reproduced—found their way unofficially to top management. In less than a year, there has been a significant change in the managerial behavior of the vice presidents.

Factors in Absenteeism—A New Survey

SICKNESS absenteeism is largely caused by emotional and nervous disorders, according to a recent study of 75,000 employees of the N. Y. Telephone Co.—about 50,000 women and 25,000 men—made by Drs. Norman Plummer and Lawrence E. Hinkle, Jr., both assistant professors of clinical medicine at Cornell University Medical Center. The conclusions of the study, published in the American Medical Association's *Archives of Industrial Health*, show that:

1. In any given year, absenteeism is concentrated in a small segment of the work population. About one-third of employees have perfect attendance records; the other two-thirds have absenteeism; of these, the top one-third causes 75 per cent of all absenteeism. About 45 per cent of absenteeism is caused by a group forming only 10 per cent of the company's total workforce.

2. That group of employees which shows the highest absentee rate in the first years of service has the highest average absentee rate throughout the entire period of service.

3. The percentage of absenteeism has increased over the 30-year period covered by the study—1923 to 1953—despite improvement in general health.

4. The absentee rate for women is approximately twice that for men, despite the fact that women generally enjoy better health and live longer. Nervous disorders account for 10 times as much absenteeism among women as among men.

5. Economic as well as emotional factors cause the high absentee rate among women. Women have generally less concern about attendance, since, as a rule, the woman is not the household breadwinner. Moreover, supervisors tend to follow different standards for justifying the absence of women and of men.

6. A study of 20 long-service employees in the lowest-absence group and 20 in the highest yields a recognizable profile of the absence-prone

employee. She was found to be generally unhappy, discontented, and resentful. She had few friends and drew little sustenance from the group in which she worked. She was easily frustrated. She reacted to transfers with distaste and complaints. As a rule she was not liked by associates and supervisors, because she was unfriendly and complaining. On the other hand, the low-absence employee was generally a happy, "outgoing" person. She adapted well to change, was well-liked by her associates, and saw her job as her career.

Among the remedies for cutting absenteeism suggested by the study:

Identify the high-absence segment by keeping accurate attendance records and having careful interviews with employees during health exams.

Medical examinations should rule out organic disease but should consider each illness in terms of past background to find out whether there is any history of chronic and repetitive disease having to do with the reactions of the particular person to the situations and stresses of life.

Sometimes, in extreme cases, separation from the payroll may be the only solution. Generally, however, proper counseling—and, sometimes, firm discipline—seems to be a sound approach to the problem of the high-absence employee.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) April 9, 1955, p. 2:2.

Length of Pay Periods in U. S. Industry—A Survey

ABOUT THREE-FOURTHS of all production workers or non-supervisory employees in private non-farm industries were paid wages and salaries at weekly intervals in 1953. This was an even greater majority than the Bureau of Labor Statistics found in a 1938 study. The increasing predominance of the one-week pay period resulted from many factors, including shifts in the geographic location and industrial composition of the nation's non-farm economy, the spread of collective bargaining agreements, the increasing complexity of payroll records, and the advancing versatility and speed of payroll-keeping equipment.

Most of the union agreements which specify pay periods have provided for a weekly payday. In addition to specifying the frequency of payday, some prescribe the time of wage payment and the form of payment, usually cash.

Contract construction led all the industry divisions in the proportion of employees paid weekly, with 97 per cent of all construction workers paid weekly. In second place was manufacturing, with 81 per cent of the production workers on weekly payrolls. Almost three-fourths of the non-supervisory employees in the wholesale and retail trade and transportation and public utilities industry, and better than half in the service and miscellaneous industries, were paid weekly. In contrast, semimonthly payrolls applied to the largest proportion of workers in mining (61 per cent), and in finance, insurance, and real estate (39 per cent).

—PHILIP GROSSMAN in *Monthly Labor Review* 2/55

Tying Salesmen's Pay to Expense Control

COULD YOUR salesmen sell more if they were allowed to spend more on travel and other expenses? Are they able to decide for themselves when to spend money to go after additional business? The case history that follows describes how one company introduced compensation plan features which gave greater freedom to its salesmen on expense accounts—and resulted in greater sales volume and a better cost-sales ratio.

In the ABC Co. (the name is fictional) it was up to the manager of each sales region to decide whether any of his men should make an extra trip or run up more entertainment expenses in order to close an order. The firm's executives realized that this approach often tied the salesman's hands—regional managers tended to be too conservative in deciding which expenses should be approved and which should not. But how could the salesman be given greater discretion in handling his expenses while sales costs were kept under control?

The company felt that each salesman should sell a certan minimum volume that would justify both his salary and his normal expenses. This amount could be determined fairly accurately from past sales records. For sales over and above this amount, the company was willing to pay a bonus or similar incentive. It was agreed, however, that this plus volume could in many cases be achieved only through additional expenditures by the salesman for travel and entertainment. In calculating how much extra expense could be permitted, the company worked out a formula for increasing the salesman's quota for every additional dollar of expense he incurred above his allowance. If the salesman was able to increase sales to the point above this new and higher sales quota, a 3 per cent bonus would be paid on the extra sales volume.

Here's how it works: The sales manager sets up three key figures, based on his past knowledge of the territory and of the salesman. (Assume a $6,000 base salary.)

On the basis of these figures, the sales manager sets a base quota of $130,000. Sales of $40,000 above this figure (for a total sales volume of $170,000) will entitle the man to a 3 per cent bonus. Three per cent of $40,000 totals $1,200, which—added to the base salary of $6,000—would add up to $7,200 in total earnings.

Estimated sales volume	$170,000
Estimated total earnings	7,200
Estimated expenses	1,800

A base percentage figure is then arrived at by adding the base salary ($6,000) and estimated expenses ($1,800) for a total of $7,800, and dividing by the base quota of $130,000. The resulting figure—6 per cent—is set up as part of the plan and remains constant. In each succeeding quarter the base quota will be determined by adding the base salary and expenses and dividing by 6 per cent.

Method of Computing Salesmen's Bonuses	*Basic Estimates*	*Expenses Reduced*	*Expenses Increased*	*Sales & Expenses Increased*
Salary	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Expenses	1,800	1,200	2,400	3,000
Total Salary & Expenses	7,800	7,200	8,400	9,000
Total Sales Volume	170,000	170,000	170,000	200,000
Base Quota	130,000	120,000	140,000	150,000
Sales Above Base Quota	40,000	50,000	30,000	50,000
3 per cent of Sales Above Base	1,200	1,500	900	1,500
TOTAL EARNINGS	7,200	7,500	6,900	7,500

The table above shows how total sales volume and total expenses are both taken into account in computing the salesmen's bonuses under four different sets of conditions.

For example, if the salesman managed to sell the same volume ($170,000) as figured in the basic estimates while reducing expenses, his bonus would be larger and thus his total earnings would be increased. If expenses increased while sales remained the same, however, the bonus (and earnings) would be lower. Note what would happen when both sales and expenses increase: In the table above (last column), the total of base salary and expenses comes to $9,000. Dividing by the 6 per cent base percentage figure gives a base quota of $150,000 —higher than if expenses were normal. These expenses resulted in a total sales volume of $200,000 ($50,000 over the new base quota). The 3 per cent commission is figured on this $50,000. The bonus thus equals $1,500 and earnings total $7,500.

The ABC Co.'s plan also carries a standard provision to the effect that if the total commission for the period (usually one year) exceeds the amount of base salary payable in the period, the salesman is paid only half of the excess. This additional feature was designed to cut earnings on windfalls which sometimes occurred.

—Research Institute Study No. 4: *Testing Your Salesmen's Pay Plan* (Research Institute of America, Inc., 589 Fifth Avenue, New York 17, N. Y.), p. 30:2.

A GENTLE REMINDER that personnel with the privilege of leaving the plant during working hours still must account for their time—and that the switchboard operator is not a busybody if she asks about their comings and goings—is provided by Etched Products Corporation (Long Island City, N. Y.). A large sign near the door in the reception room asks departing employees: "Have you notified the switchboard that you're leaving the building? At what time will you be back?" Result: fewer frantic calls trying to locate missing employees.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.)

Laying the Groundwork for Clerical Cost Control

"You cannot transact any business anywhere today without a piece of paper." Those were the words of a very frustrated Secretary of Defense trying to explain to a congressional committee why the budget of the U. S. Defense Department included almost astronomical cost figures for clerical work. If Mr. Wilson had said you cannot transact any business anywhere today without six pieces of paper, he would have been even more accurate.

This ever-mounting avalanche of paperwork and record-keeping which engulfs every business enterprise will keep on growing as our business life progresses, as our standards of living advance, as our interdependence on each other increases, as our way of life gets better.

During the past few years, we at Cone Mills have read about and studied literally dozens of plans to control clerical costs, and finally evolved a program that we think is simple, sound, and effective. Its cornerstone is clerical work measurement, and it involves three steps. They are:

1. Measure accurately, but with fair and reasonable allowances for fatigue and personal needs, the time necessary to perform every clerical operation in a given department or section of the office. Based on this information, set standards just exactly as you would in any standard cost system. Periodically, at least once a month, compare accumulated standard hours with accumulated actual hours and determine your clerical ratio of efficiency. If the standards are right and the performance efficiency is low, you have all the information readily available to find out why.

2. After all measurements are completed and any bugs in standards shaken out by several performance records, have every single piece of paper that is either originated by or is handled in any way in the measured operations analyzed carefully and thoroughly to determine that the document or the operation performed on it is necessary or useful.

3. Now that you know the time values and the dollar costs involved in each operation, and you know the operation is necessary and useful, the time has come to determine whether there is a better and cheaper way to perform it. In other words, you are now in a position intelligently to evaluate systems and mechanization proposals.

Though we have only really just got started with our program, we have gone far enough to know we are on sound ground. We are getting tangible results. Clerical cost reductions in departments analyzed to date are running at a rate of over $1,000 a month and will, without question, be running at the rate of several

thousand dollars a month before the end of the year.

Any office systems, procedures, or mechanization work you do without first measuring the workloads and being able to define the cost of any clerical operation in terms of dollars and cents, leaves you hunting for dimes and missing the dollars. Unless you know the cost of performing each specific operation in your office, you will frequently spend \$100 worth of time trying to eliminate a \$1 item as unnecessary, or put \$200 worth of mechanization on an operation that should cost only \$100 to perform manually.

There are several ways in which you can develop time and cost standards. With only 50 clerical employees, the odds are that you have a potential cost reduction available of over \$30,000 per annum, without any of the savings that may come out of further work on systems, procedures, and mechanization, the groundwork for which has been laid by the measurement studies. That is a large enough sum so that you should be willing to spend some money to do the job right. There are engineering firms who have specialized in this work. They will train personnel you assign to them so that, after a training period of a few months, you can carry on the program with your own people without the expense of outside engineers.

All you should be doing when you set up clerical work standards is to define in hours and dollars what a given job should cost if performed by a fairly competent person working under the same conditions of decency and dignity that you would want for yourself, your son, or your daughter. The standards should be such that your office workers, once they understand, will want to attain them as a matter of self-respect.

You may ask, "Why go to all this trouble if that is all the pressure that is going to be exerted?" The answer is that 99 per cent or more of us must have targets to aim at to attain anything like reasonably good performance.

If you start a program of clerical work measurement, be sure you dedicate yourself to objectivity, to fairness, to being content with nothing but standards that are as near right as you can make them. The results that you obtain will be in direct proportion to your sincerity and care. The really good results you get from this program will be obtained because the people in your office believe you and believe in you.

—From an address by HAROLD W. SMITH before the Greenville Chapter of the National Office Management Association.

PERSONNEL MEN in many companies are encouraging workers to make wills. One company even shares legal costs with employees who agree to have their wills drawn up. The idea is to prevent red tape, delays, and hardships often suffered by the family when a wage-earner dies intestate—and the headaches that fall on the personnel department when his widow looks to the company for aid and counsel.

—Mill & Factory

Wage-Salary Administration—Company Policies and Practices

WHAT WAGE and salary administration practices relating to non-supervisory factory and office workers are most prevalent in U. S. industry today?

According to a survey conducted by the Bureau of National Affairs among 145 top personnel executives in all types of companies, some type of formal job evaluation program is in operation in six out of every seven firms.

Point rating is by far the most popular job evaluation method employed in these companies. Merit rating takes place in two-thirds of larger companies and three-fifths of smaller ones, with office employees more likely to be merit-rated than the factory group.

Most factory employees receive straight-time hourly rates, while office employees get a straight salary. However, many office employees work at straight-time hourly rates, while a significant proportion of the factory group are paid under straight piecework or measured work systems.

Administration of wage-salary systems is for the most part a Personnel-Industrial Relations responsibility. In most companies some kind of formal management committee is utilized at some point in the administrative process.

In the majority of companies with unionized employees, the union plays no part in wage-salary administration beyond contract negotiation and recourse to grievance procedure. Formalized (contractual) grievance procedures are open to practically all unionized employees. While formalized arrangements are usually not in effect for the non-unionized sector, informal avenues of appeal to supervision are as a rule available to these employees.

Finally, an over-all evaluation or review of the wage-salary program is made regularly in over three-fourths of all companies; in firms without a formal over-all review, evaluation is often carried on in a more informal manner. Comprehensive reviews, the survey indicates, are helpful in keeping a company's wage and salary structure sound and in line with area and/or industry practice.

—*Personnel Policies Forum Survey No.* 28 (Bureau of National Affairs, Inc.)

Industrial Fire Prevention Programs—A Survey

WHAT IS INDUSTRY doing about fire protection? A recent *Mill & Factory* survey, conducted among 349 industrial firms of all types and sizes, disclosed that 98 per cent of the respondents have some type of fire protection program. Administration of fire protection programs is handled by a specially trained fire department in 51 per cent of the cases.

Among the protective equipment most widely used are sprinkler systems (87 per cent), hand extinguishers (95 per cent), and fixed and mobile water hose stations (57 per cent). Production workers have been organized into fire brigades by 65 per cent of the respondent companies; regular fire drills are held, usually on a monthly basis.

Automation: Where Will the Workers Go?

ONCE AGAIN, the old bogey of technological unemployment has been revived. It is being predicted that millions will be unemployed when the mechanical monsters take over the work of the world—that the worker without special ability will have nothing to offer the labor market in the automatic age of the future. If more than a few people seem to view automation with a jaundiced eye, it is because instinct tells them that there is a threat to security—especially since men who ought to know what they are talking about say that the threat is real.

Yet the facts are otherwise. When you read that a battery of automatic machines, with only five attendants, produces as much as 100 men can with conventional machinery, this does not mean that five men have taken over where 100 men once were employed. It means that five additional men have been hired to help the 100 men increase production—to bring it up to levels which can meet the market demands.

True enough, were it not for automatic machinery, instead of hiring five men the company might have hired 100 men. But suppose we had ceased to develop new machinery back in 1934, just so that we could hire more men whenever we wanted to increase production. In order to produce as many electric light bulbs as one plant turns out today with 230 employees, we would have to hire 4,000 men instead. And if we extend this same principle to include the automobile industry, the electronics industry, and all the other manufacturing and business establishments in the country, there just wouldn't be enough workers to go around. We would have to start giving up things. Fortunately, the net result of introducing more machinery has been the creation of a wider market and the expansion of job opportunities.

When pessimists talk about the extension of automation to a point where it will threaten wholesale unemployment they do not specify exactly when the danger point will be reached. They merely say "the day is coming." But when they use the phrase "the day is coming," they are admitting that the process will be gradual.

Indeed, it will be gradual, because there is still much work to be done in the field. Moreover, automatic control devices are expensive things. It is estimated that an investment of $100,000 per worker in automatic machinery will be required to bring a measure of automatization into our production industries. This would mean a total outlay of about $1,400-000,000,000—that's trillions, not billions. Compare this with the $5,715 invested in machinery per production worker in 1945, and the $10,829 in 1951! Such fantastically large capital outlays cannot be made overnight. Moreover, even if they are made gradually, money like that cannot be just picked off trees. It must result from an expansion in the economy. But if an economy is expanding, it is hardly possible to have millions of techno-

logically unemployed people roaming the streets without any source of income.

The increase in automation will maintain a cause-and-effect relationship with the expansion in the economy. It will not, like some ugly mutation, grow out of proportion to the economic body. It has been said that automation will require a steep upgrading of skills on the part of workers who must be pulled away from relatively simple machinery and put to the tasks of maintaining and watching the complicated electronically controlled mechanisms. Actually, the "steep" upgrading that has been talked about so much will become obvious only after many years of not-so-steep changes. The transition in skills will not be as great a problem for the average worker as is sometimes imagined.

So where will the automatic age lead us? Well, it is certain that it will not lead us to a world without problems—but among these problems will not be mass technological unemployment. That it will be a world in which more people have more things there is no doubt.

Once labor grasps the significance of automation in terms of greater productivity, it should find its way clear to a further examination of the real implications of the now dreaded automatic machine. Any fear that automatic devices can render human beings useless, produce fantastic quantities of goods at a time when the purchasing power is extremely weak—all this is no more than a bad dream.

—Haig Babian. *Challenge*, March, 1955, p. 11:5.

Steps to Better Plant Layout

Most plant requirements are constantly changing. Whenever a process change, a product change, or a change in volume of production occurs, there should probably be some change in your plant layout. Like an athlete, the well-laid-out, well-managed plant is never off balance, always ready to adapt.

In general, though no two plant layouts probably ever will be alike, good layouts can be recognized by something akin to the conservation of energy. The best layout is that which permits material to move the minimum distance between operations, requires the minimum number of operations to the finished product, uses the minimum amount of plant space, takes the minimum amount of time in process, requires the minimum number of workers performing the maximum amount of work, etc. According to this concept, the most efficient layout would be a production-line set-up, with material entering the plant at the start of the production line, moving from one immediately adjacent operation to the next without pause, and ultimately moving off the line onto a waiting truck at the other end. Unfortunately, this normally is an imaginary quantity which can only be approached in layout work.

More practical for most plants is layout by process, work performed, or departments. Layout by process is the familiar production arrangement by which work is transferred from one department to the next by pallets or tote boxes and is processed through the equipment in turn. Layout by process involves less stringent maintenance requirements and less duplication of equipment, and permits work loads to be apportioned by scheduling to keep equipment uniformly busy. In many instances, the need for inspectors will be reduced and small quantities of a part may still be produced at a profit.

It's certain that any production line is a poor investment if the cost of setting it up exceeds the savings gained by having it. But plants producing only one product usually should come close to having production line flow, provided quantity is sufficiently high.

Whether you're building a new plant or looking at your present layout with a jaundiced eye, the best approach is to start with the plant as a whole. Consider it as a group of processes rather than machines, and establish the simple flow lines. Then fill in the basic operations, fitting them to the flow pattern. At this point, do not consider the practicality of the relationship from any standpoint—just the flow of work from raw material to finished product.

Now examine the purpose of each operation shown on the routing. Is each step necessary? Could combining or separating steps cut down the number of operations or the distance the parts would have to travel? Would it be possible to set up the sequence in such a way that one worker could perform two steps? Could two operations on a portion of the part be combined?

Is the method of doing the operation the best possible? Might another technique of fabrication fit into the operation better from a time or productivity standpoint? Could any given part, if purchased from a supplier, eliminate costly facilities not fully utilized?

Next, establish the balance of equipment. Set up specific machines and their rated capacities, predicated upon your estimated volume for the foreseeable future. With layout by process, equipment and its location may be largely determined independently in terms of over-all plant capacity. With line production, or a combination of it and layout by process, getting balance may be more difficult.

In most cases the balance will be disturbed by one or two bottleneck operations. The purchase of duplicate equipment may give too much capacity, while a single machine falls short of the hoped-for goal. Possible solutions include the consideration of other equipment or methods, including the breaking down of the operation performed at this station. Surplus pieces may be allowed to accumulate for finishing on a job-lot basis later, or the machine may be operated on a second shift.

It now is time to begin a layout to visualize more readily the relationship of these factors. With processes and equipment basically established, the services and handling facilities, manpower and other production requirements must be set up and met. Moreover, provision for maintenance of equipment must be made. Inspection

stations must be set up and employee facilities established.

Finalizing the layout is a proposition more easily stated than accomplished. In each case of possible alternatives, considerations of cost comparison, limitations on future growth, flexibility and other dollar-and-sense factors must be carefully weighed against the theoretically most efficient ideal layout. Starting with the ideal, modifications from it should be made only with the justification of greater efficiency. In theory, the result should be the most effective compromise.

Principles of plant layout can be taught. Judgment, which is a necessary tool in their application, must be gained through trial and error. Most plant managements agree that a full-time layout engineer carries his weight nicely in the larger plant, but the layout consultant working on smaller company problems often brings the experience of other companies, even other industries, with him. In any case, management should understand what the layout engineer can do and how he sets out to do it, and be able to recognize the need for his services.

—*Steel*, April 18, 1955, p. 93:8.

Vacation Policies for 1955—A Survey

HOW HAVE vacation policies for production employees changed in the past couple of years? Recently the Employers Association of Western Massachusetts, Inc., made a survey among its members and found these significant changes in vacation practices for shop employees since 1953: (1) More companies schedule all vacations at the same time by means of a plant shutdown; (2) more employees with less than one year's service get prorated or one week's vacation pay; and (3) more employers give three weeks' vacation after 15 years' service. On the other hand, there's been hardly any change in the basis of computing vacation pay and the eligibility requirements for two weeks' vacation.

Here are some highlights from the survey, covering more than 40,000 production employees in 97 firms:

Plant vacation shutdowns are scheduled by 74 of the 97 companies, with 53 of these closing for two weeks. Sixty-three firms give some vacation pay to employees with less than a year's service; almost half of these give a week's pay, and about one-fifth grant pro rata allowances. Almost two-thirds of the total number of companies grant one week's vacation after a year of service, and more than one-half grant two weeks after five years. Employees of about 60 per cent of the firms can qualify for more than two weeks' vacation, usually three weeks after 15 years. In most cases, the third week can't be taken with the first two, but is taken some time later at the company's convenience.

The basis of vacation pay for non-incentive jobs is the employee's regular hourly rate in more than half the firms. About one-fifth use the average straight-time earned rate, and 13 per cent give a percentage of annual earnings. For incentive workers, vacation pay is based on the average straight-time earned rate in 28 per cent of the firms, and a percentage of earnings in 12 per cent.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 4/7/55

Employee Opinion Surveys: How Useful Are They?

EMPLOYEE opinion or attitude surveys are a means of analyzing not the employees but the effectiveness of management and supervision, the training programs, the communications, the plans and policies of a company.

Apparently the main trouble with employee opinion surveys is that there aren't enough of them—that some members of management do not appreciate the savings and improvements that the opinion survey makes possible. Of 98 respondents replying in a recent preliminary survey made by the Dartnell Corporation, 45 had made attitude surveys and 27 were giving consideration to making them. Of the total, 82 thought such surveys were desirable and 15 had no opinion.

A second, more detailed survey covered 55 companies which have conducted one or more employee opinion surveys. Thirty-eight of these companies are manufacturing firms. Another eight are in public utility or transportation fields; the balance includes retail merchandising, insurance, wholesaling, etc. The median number of employees of the firms reporting is between 1,000 and 3,000, but an even wider range of sizes is included—11 of the companies have fewer than 500 employees, 17 of them have more than 3,000. Half of these companies have conducted more than one employee opinion survey.

In most instances, the companies had used printed questionnaires which employees filled out themselves. Very few surveys involved personal questioning of employees by interviewers (a much more expensive method).

Most of the surveys were fairly comprehensive as to subject matter. All but three of them included at least 20 questions. Subject matter in most surveys included the following, as a minimum: general attitude toward job; attitude toward company and management; supervisors; working conditions; wages or salaries; employee benefits; promotions; job security; and information desired.

Most of the surveys included 100 per cent of all employees (subject to a few absences, of course) rather than only a cross-section sampling. Most of the surveys covered supervisory personnel as well as rank-and-file employees—in some cases, high executives also filled out questionnaires.

Forty-five of the 55 firms had some help from outside consultants—especially in regard to planning the survey and questionnaire, and in analyzing or interpreting results.

Practically all companies participating in this survey say they obtained new information about employee attitudes, and that results were helpful in giving a more exact measurement of attitudes that were known or expected prior to the survey of employees. Answers in most cases were analyzed by departments, divisions, or other work groups, to pinpoint the information from the survey.

About half of the companies were surprised by the level of their employees' morale. While only two found morale consistently worse than expected, 10 found it better than anticipated, and 17 found it better in some areas, worse in others.

Fewer than one-third of the reporting companies had any dissatisfaction with their surveys or the use made of results. Most of these refer to weaknesses or delay in executive follow-through, rather than to any flaws in the conduct of the surveys themselves.

A large majority of respondents (45 of the 55) say they made changes in personnel policies or practices as a direct result of the survey. Almost as many—41 companies—also gave information to employees, regarding various personnel policies or practices, as a result of the survey.

Results were reported to employees in all but 10 of the reporting companies; almost half reported the complete general results (not detailed breakdowns, of course) to all employees. Most of the others did this in a more limited way—only to supervisors, or only selected results rather than a complete summary.

More than half of the reporting companies plan to conduct employee surveys again—23 have definite plans for doing so, 10 others tentatively plan this. None at all has determined not to have another survey.

—W. M. Longman and L. F. Van Houten. *Analysis and Staff Report: Experience of 55 Companies With Employee Opinion Surveys* (The Dartnell Corporation, Chicago).

Trends in Corporate Aid to Education

Industry is insuring its future by expanding aid-to-education programs. Two recent surveys by the Council for Financial Aid to Education, Inc., indicate the rising trend.

Grants by the nation's 672,000 corporations to all institutions of higher learning in 1953—the last year of the excess profits tax—are estimated by the Council at between $70 and $75 million. This compares with an estimated $53 million corporate allocation in 1950.

Total contributions in 1954 are expected to equal the 1953 estimates despite the absence of EPT. And, for the years ahead, present indications point to gradually stepped-up financial aid programs.

Survey results based on answers from 753 schools show that 59 per cent of non-denominational private colleges and 62 per cent of private universities are operating in the red. Moreover, over half the schools report they'll need more than $3 billion in added endowment within the next 10 years, plus another $2½ billion for new buildings, equipment, and maintenance.

Of 367 firms responding to the survey, 45 per cent—all among the

1,000 largest—reported contributions of varying amounts for the general maintenance of colleges. Of these, 73 per cent are making unrestricted gifts.

The increasing need for college-trained people, particularly engineers, and growing awareness by management that support of higher education is good business are both giving impetus to industry aid to education.

Some 50 top business men met recently at Harriman, N. Y., to consider problems of corporate support for education. General Electric's President Philip D. Reed later reported a "surprising unanimity" among conferees that aid to education benefits industry.

A New Jersey court decision last summer gave legal sanction to this view. The Court ruled that a corporation giving an unrestricted grant to a university was acting in its stockholders' interests and in fulfillment of legitimate corporate responsibilities.

U. S. Steel Foundation's aid to education program entered high gear last summer with $700,000 allocated to liberal arts colleges. Of this amount, about half has gone into college building and endowment campaigns. Contributions are unrestricted, but the Foundation reserves the right to select institutions included in the program.

Bethlehem Steel Co. reported payments totaling $321,000 to 30 colleges and universities under its program of financial assistance to colleges and universities. Launched two years ago, the program is non-restrictive and grants can be applied to scholarships, facilities, or for other purposes.

General Motors this year announced a new $2 million annual fund program, which raises its total annual grant to over $4 million.

—D. G. Picinich. *The Iron Age*, April 21, 1955, p. 51:1.

Rehabilitating Alcoholics on the Job

The best cure for the alcoholic or problem drinker is to keep him on the job while he tries to stop drinking, says an industrial physician, Dr. Thomas H. Hogshead of the DuPont company. It's like treating soldiers at the front line rather than at rear bases, thereby giving "the feeling of courage and pride that one gets by staying in the fight and not retreating." Dr. Hogshead says the method has worked in 65 per cent of cases treated in the company's program. The program has cost $100,000, but the salvage in human life and pride and productivity cannot be measured.

The alcoholic is told that the medical division is trying to help him. After three months, the medical division determines whether he is really trying to stop drinking and should be kept on the job, or should be dismissed because he shows no interest. There is also close cooperation with Alcoholics Anonymous.

"The fact that alcoholism or problem drinking is accepted as a disease by a company so scientific as DuPont and treated as any other illness by our medical division has opened the way for the rehabilitation of hundreds of employees," Dr. Hogshead says.

—*Today's Health* Vol. 32, No. 11

How to Buy a Company

For any business man interested in expanding his capacity or his product lines through purchase of an established plant, it is vital to be able to diagnose just when a company is ripe to sell—when, although apparently healthy, there are sound reasons for a change.

The symptoms are not obvious, and the prospects—profitable ones—are hard to find. There are certain obvious indicators and yardsticks to help guide you, but there is still a certain amount of playing by ear. Your own special requirements will pretty much dictate the type of plant you want to buy, its product line, its location, and the terms under which you will buy it.

While your reasons for wanting to buy established manufacturing facilities may vary greatly, there is one inflexible rule you must observe if you are accountable to stockholders. In buying a company you cannot risk diluting the stock of your own company. After figuring all the cost-cutting angles, you must expect to realize at least as much per share from the new acquisition as your present earnings.

Rule number two, at any rate with us at National Gypsum Co., is: Don't buy a plant or a product line which doesn't represent a substantial capital investment. That way you're likely to avoid a lot of fly-by-night competition. The new acquisition otherwise could be more of a nuisance than it's worth.

What is it that persuades an established, solvent company to sell? The reasons are many, and the signs are important to recognize for the prospective buyer seeking a profitable deal. Here are a few of them:

1. A one-line company serving a multi-line market may be a likely candidate for purchase if it finds itself unable to support a costly sales organization.

2. A family-controlled business with no capable or interested offspring to carry it on will probably be amenable to selling.

3. Taxes are often a considerable factor in persuading a company to sell out. Exorbitant inheritance taxes in the event of the owner's death might sink the company anyway unless he sells out before he dies.

4. The complexity of business often discourages the family owners or managements of small businesses.

5. Certain managements have a reputation for turning a fast buck and getting out. Occasionally you can persuade this type of management to sell out to you under circumstances that are mutually profitable.

When and if you find a plant or company that seems to measure up to your needs in most respects, you can practically always make the direct approach to their top management without any difficulty.

Before seeing your prospect, you will have secured all available information about the company. You will also have made two decisions. Are you planning to buy them for cash or through an exchange of stock? Do you

want to take over the charter or just buy the assets?

At this first meeting, you run up against three things:

First, it is a universal law that any management considering selling will overestimate the value of their company.

Second, the preliminary overtures are generally conducted in secrecy. There are obvious reasons for this—to avoid stock speculation, possible loss of customers, disturbance to employee morale, to prevent management talent from going elsewhere—to mention a few of them.

Third, you will run up against the human factor. The personal feelings of the management whose company you are trying to buy may be the greatest single obstacle to the negotiations.

At the first meeting, you are largely sounding out your prospect and trying to secure enough information to decide if you still feel the business would be desirable. Eventually you will obtain the necessary information, discuss it with your associates and—if the picture is still favorable—work out with the prospect an outline of the basis for the merger. This is usually incorporated in a memorandum, rarely more than two pages, embodying in plain business language a simple statement of the terms.

Then you call in your team of accountants, engineers, lawyers, and geologists. What they find may kill the deal. But if the various reports are favorable, a complete study is then compiled and sent to your directors well ahead of their next board meeting. If they approve it, and after consent of the seller's stockholders has been obtained, the attorneys for the respective companies get together and prepare the formal contract of purchase and sale. This follows in general the informal agreement mentioned earlier, but covers every foreseeable contingency and sets up a timetable.

There are still several important steps to be taken before the matter can be closed. It will take 40 to 60 days to clear with the Stock Exchange and SEC. If you are acquiring a concern in the same general line of business as you are, you will want to look at the antitrust aspect of the matter. Your counsel may want to secure an opinion from the Department of Justice.

Finally, you hustle to keep your public relations in good repair. You can anticipate at least 30 days between your filing with the SEC and the consequent public disclosure, and the time you take possession. It is important to keep up the morale of your prospective new employees in the meantime through a sound information program, and retain the good will of the customers you are acquiring.

At last you take possession. You have acquired one or more new plants. And you have probably acquired a good many headaches.

—John C. Best (Vice President, National Gypsum Co.). *Dun's Review and Modern Industry*, March, 1955, p. 37:6.

Are Your Marketing Concepts Up to Date?

Now is the time for a word of caution to those executives who still depend on marketing concepts they've used for the past 15 years: Are these ideas still relevant or even safe? Or have conditions changed so much that the sound ground yesterday's marketing program was based on is treacherous quicksand today?

One way to find out is to get caught. Another is to examine your marketing principles. Here are a few marketing concepts that may not always be what they seem.

1. "*Our sales manager's job is to get volume—period.*" Though added volume can increase profits when there are no corresponding increases in fixed overhead costs, in most companies profits can be increased more surely if action also is taken to: (1) improve the product mix by pushing more profitable items; (2) even out seasonal sales variations—possibly by adding new products that will help smooth out production schedules, or reducing inventory investment; (3) balance selling and advertising costs against each market's potential, through relatively inexpensive market research or analysis of already available research data.

2. "*If we add another product line, it will reduce unit selling costs.*" A broader line may boost volume without proportionate increase in sales expense and so increase company profits. But in many cases, sales costs rise more rapidly than sales volume when products are added.

For example, a food company which was considering adding another line—also to be sold through food stores—found that salesmen would actually have to contact a different group of distributors, different chain store buyers and different department managers in supermarkets. As a result, the increase in volume would not pay for increased sales costs.

3. "*We make the finest product in the industry; it should outsell competitors'.*" This is the complaint of the manufacturing vice president, or perhaps the company president himself when he's dissatisfied with sales. The conclusion, however, doesn't necessarily follow from the premise. For example, a company can be priced out by competition because the better quality of its product means that greater costs were built into it than the customer is willing to pay for. Product design should not be dominated by engineering or manufacturing without regard to the customer's actual wants.

4. "*You can't forecast sales in this business.*" The sales manager who doesn't like to make forecasts, or believes it can't be done, forgets that someone in his business is making forecasts regularly. Every time a production line is set up, someone has forecast that there will be sales to cover the production that comes off it. Managements should provide the sales manager with proper tools for forecasting sales by product and territory. He should be responsible for prepar-

ing forecasts and for delivering the forecast volume, subject to conditions beyond his control.

5. *"More volume? Sure! All we need to do is add more salesmen and increase the ad budget."* This assumption may not, in actual fact, be justified. A review of the company's product line and merchandising and distribution policies will provide better ground for deciding whether increased sales and advertising costs will produce enough added volume to make expansion profitable.

6. *"Business is fine; we've increased our volume every year."* A company executive in a stable industry can make this statement with pride. But in an expanding industry he may be walking toward the quicksand with his eyes closed. The morgues of American business are filled with the cadavers of once-prominent companies whose shares of market declined past the point of no return. Moreover, a company with a decreasing share of market is more likely to feel a general downturn.

7. *"Our customers are our distributors (or dealers)."* Too many sales plans fail to recognize that the ultimate consumer is the real customer. When a company allows its marketing plans and product lines to be dominated by distributors or dealers, it may not know what consumer preferences really are or what kind of job is being done by its distribution outlets, because it is isolated from its true customers. It doesn't know whether the distributor or dealer is reaching as much of the potential market as he could. Similarly, in industrial distribution, few companies recognize they must do something to influence the buying actions of their customers' customers if they are to increase their own volume.

What can a company do to increase its marketing effectiveness and avoid the quicksand always present to trap the unwary?

First, it can make the chief sales executive a member of the management team. He must be a business man with a sense of responsibility for company profits as well as for sales.

Second, it can provide the chief sales executive with an adequate fact-gathering and planning staff. If the marketing side of the business is to take full advantage of opportunities open to the company, the sales executive must have facts for his decisions, an organization to develop facts, and time for long-range planning and discussion with top management.

Third, it should challenge all marketing concepts to see whether each one stands up under the test of critical analysis. Ideas that may be sound today for your business may be unsound tomorrow in the light of changed industry conditions. And since no two companies are just alike, what may be sound practice for one may be most hazardous for another.

—VICTOR P. BUELL. *Printers' Ink.* Vol. 249, No. 4, p. 29:3.

IN 1900 nearly two-thirds of all American men aged 65 or over reported themselves as either actively at work or seeking jobs; in 1950 less than half, points out a Twentieth Century Fund report.

What's Happening to Your Urban Markets?

WHERE DO PEOPLE go when they move? That question could have much significance 10 or 20 years from now, because the trend toward greater population mobility shows no sign of lessening. It could affect warehouse location plans and territorial distributions.

How serious is the population exodus from the cities, and how far is dispersal of population likely to go? A study recently completed by a University of Oregon sociologist, Dr. Walter T. Martin, suggests that the future is not nearly so bleak as some distribution experts think. Dr. Martin's study of the Pacific Coast region found that a general rapid growth of the total population is surpassed in most instances by a vigorous urban growth.

The fastest-growing areas are most likely to be found near major central cities, with a decrease in the rate of growth as distance from the central city is increased. The highest percentage of growth figure is within 25 miles of the central city. Cities outside the urbanized area but still within the standard metropolitan area are most often found in the medium growth stage, but cities outside the standard metropolitan classification are concentrated in the slow growth category. In other words, current bigness or proximity to bigness begets the highest rate of growth.

One of the key findings for marketing management is that the rapid growth rate of the urban and rural non-farm population (a Census definition which often includes suburbanites) is caused by in-migration and by a high birth rate. Linking these together points to a high influx of "migrants" from farm to city and from city to suburb.

—Dun's Review and Modern Industry 4/55

New Facts on Family Income

MORE THAN 40 per cent of American families have incomes exceeding $5,000 a year, and 55 per cent have $4,000 or more, the Commerce Department reported recently.

The figures on which the agency's conclusions are based are those for the year 1953. However, the report said that "they are representative also of the broad structure of the income pattern in 1954, because changes between the two years were slight."

Of the total family income of $272 billion before taxes, the report said, almost $85 billion goes to the 29.5 million families (family groups and unattached individuals) with incomes under $5,000, about $117 billion to the 17.3 million families with income between $5,000 and $10,000, and the remaining $70 billion to the 3.8 million families with incomes of more than $10,000.

The study showed that since 1947 total family income has increased by almost 50 per cent on either a before- or after-tax basis. Average income per family rose about 30 per cent as the number of families has increased by six million since 1947. In the current period there are about one-fifth fewer families with incomes under $4,000 than in 1947, and 70 per cent more with incomes exceeding $4,000. The number of families with incomes above $10,000 has doubled since 1947.

Free Enterprise: The Moral Challenge

It has become almost trite to point out that we in the United States are the last great stronghold of free enterprise and individual liberty. How are we to keep alive this great spirit of freedom? Economically, how are we to preserve more than 4 million independent enterprises, each of which is constantly striving to find a new or better service or product with which to win the favor of people, and hence keep on lifting our standard of living?

Our ability to maintain a strong and stabilized economy largely depends on a widespread understanding of it, and satisfaction with it, by all the people who are a part of it. We certainly don't have this understanding and satisfaction yet, although we have made some progress in recent years.

While our economy is currently strong, an uneasy peace exists between two of its major forces—capital and labor. The third major factor—the farmer—is unhappy and critical. The small businessman, the proprietor, is concerned about his status, and the public is largely ignorant of what makes our free economy tick, and also critical of much of it. There is a great deal of misunderstanding among us all which has several times in the recent past threatened to stifle our economy, and can do so again. This ignorance and misunderstanding may be no immediate deterrent to our current material progress. But ignorance can be easily translated into industrial strife, unwise legislation, and other stifling government action. The demagogue thrives on ignorance. We've seen this happen. It could happen on a much larger scale in the future if we in business don't take action on a wider front, to earn the confidence of the public, gain its sympathetic ear, and tell it the economic facts of life.

Not all the misconceptions about business are the result of propaganda spread by subversive or leftist organizations and individuals. Many of them —and much of the criticism toward business—stem from religious, spiritual, and idealistic concepts which we must approach carefully and understandingly. More important, we must do all we can to reconcile business practices with these concepts. We dare not seek to destroy them. For if we were successful, we would destroy free enterprise as well.

If free enterprise is to survive and bring all the material blessings it promises, the fundamental job is, in my opinion, to accelerate the trend of recent years to conduct it on an even higher moral and ethical plane. There is no denying the fact that the practices of business a generation or two ago were in a great many respects in direct conflict with religious and ethical teachings. Great strides have been made, but the conflict is still too great in some areas. It is not good enough to say our current-day principles and methods of conducting business are on as good an ethical and moral plane as some mythical average citizen's. They must be better—far better—if we who manage business want to con-

tinue our leadership. The plain fact is we can no longer be leaders in a strictly economic sphere alone.

Real understanding is difficult to achieve in the absence of a friendly climate. What makes up this climate is no one particular thing, but a series of very many things. If the climate is critical and unfriendly, misinformation will be accepted and passed along —usually magnified. If the climate is friendly, it will be challenged and verified. Our job of education goes far beyond the boundaries of our individual businesses. It goes beyond taking an interest in government. It concerns such seemingly peripheral things as our attitude on broad public issues, local and national.

We might as well admit the fact that we businessmen have been too prone to isolate economic freedom (or free enterprise) and to ignore the other freedoms—such as free speech, free assembly, civil rights, equality of opportunity for minorities, and so forth. There *are* other important freedoms in this country, as we should know, and too many of us in business have been too busy to worry much about them. Religious leaders, educators, and other important and influential professional people in our nation *do* worry about these freedoms, however, and they find it hard to understand our apparent lack of concern. Consequently, our information often may not fall on too friendly ears.

Freedom, after all, is indivisible, just as we've always been told. And if we want to get credit for being one of its most important protectors—as we are —we'd better protect it whenever and wherever it is threatened, and extend it wherever we can.

Compared to that of the demagogue who would destroy our freedom, our job is truly a Herculean one. Human nature being what it is, all he has to do in many cases is to stand on a platform, distort a few statistics, point to apparent injustices, and convince the crowd that all they have to do is to fight oppressive management and gain the right to dip into a barrel of inexhaustible wealth.

We, by comparison, are faced with the job of teaching much of the public a course in philosophy, and in many cases of telling people what they don't want to hear; to point out that you can't get more out of the barrel than is put in by production, whether it be from government or private industry; to explain that taking everything away from the so-called rich would provide little per capita for the poor; to counsel that human progress by its nature must be slow, that the solution of many problems is the choice of the lesser of evils; that too much security means decadence; that opportunity and incentive must be preserved, even though they are sometimes abused; that the effect of chance on all of our lives can probably never be completely eliminated; that the test of any social or economic question is not whether it is right or wrong, in any theoretical or absolute sense, but whether it will work *now* and help us to progress, or whether, if tried *now*, its net effect will be to set us back.

In meeting this challenge, we can well heed the words of Judge Learned Hand: "The spirit of liberty is a spirit which is not too sure it is right . . .

which seeks to understand the minds of other men and women . . . which weighs their interests alongside its own without bias." If we remember those wise words as we try to build a better world in the years ahead, we will earn understanding for our businesses and companies, and we can be confident that the best system yet devised by man will survive through the ages.

—From an address by Walter H. Wheeler, Jr. (President, Pitney-Bowes, Inc.) before the 43rd annual meeting of the U. S. Chamber of Commerce.

Foreign Trade Fairs Are Paying Off

AMERICAN BUSINESS is on the threshold of its biggest export effort since the 1920's. This new surge is hurdling the barriers left by World War II, dollar restrictions, and global uncertainties. Uncle Sam himself is helping U. S. business tap the bulging foreign market.

The most spectacular phase of the government's extensive program to help sell U. S. goods abroad involves the age-old international trade fairs. This year U. S. products are on display in 30 trade fairs, extending from London to Valencia, from Frankfurt to Verona. Roy F. Williams, the Commerce Department's Director of International Trade Fairs, is already planning for a record-breaking 150 expositions next year.

Phase two of the government's program is pushing U. S. travel overseas—both to encourage spending for American-made products and to spread American buying habits to potential foreign customers. Phase three is building a network of trade intelligence to keep U. S. business men abreast of foreign markets, buying habits, merchandising methods, promotion opportunities, distribution agents, retail outlets. Phase four is stimulating U. S. investment in overseas manufacturing as a pump primer for U. S. dollars to be spent abroad and as a catalyst for distribution, sale, and promotion of U. S. products.

The foreign market, the magnet for this effort, is already a big one—$21 billion last year—and is expected to grow bigger. Currently, Europe and Latin America each take roughly 20 per cent of U. S. exports.

Here's how the Commerce Department program works: Market specialist teams fan out well ahead of fair dates and visit all important commercial centers of the particular country under survey. The teams pick the best fairs for U. S. exhibition from the standpoint of both immediate profit and long-range promotion benefits.

Each team contacts major business associations and groups and conducts meetings and panel discussions with these groups as well as with individual foreign business representatives. The aim is to promote faster and friendlier contact at the fair site between foreign agent or buyer and the U. S. marketer.

After it has put its findings at the service of government and business, the team goes into action at U. S. Trade Information centers, located at

the main government-industry exhibits at all of the fairs. At the fair the team has the job of advising foreign and U. S. business men how to do business with each other.

Master exhibits sponsored jointly by the government and industry make up the second and more dramatic part of the government's trade fair program.

Richly stocked with U. S. products, displayed with U. S. trade names and brand names prominent, these central exhibits advertise to the world what the Commerce Department calls "the fuller, better life that is possible for the average person."

Everything is done to distinction at the fairs—there are luxury backgrounds, striking landscapes, lavish product showcases. Foreign governments lend a helping hand by reduced freight rates, tariff suspensions, multilingual interpreters and stenographers, etc. They also work with the Commerce Department's marketing teams in helping U. S. business men set up their exhibits. Persistent and extensive advance advertising is a feature of the fair build-up. The U. S. exhibitor can capitalize on a flood of promotion ranging from ads and articles in newspapers and magazines to radio and television spots, to ribbon-cutting ceremonies.

The scale of both fair and promotion is paying off. More than four million people visited the Milan fair alone in 1954. At last year's German Industry's Fair, sales jumped almost 100 per cent over the previous year. At the Saar International Samples Fair, sales hit $137 million, 150 per cent over the year before. Berlin's International Samples Fair produced applications from foreign buyers for $4,220,000 worth of U. S. goods. At this year's Frankfurt Fair, orders were written up for over $700,000 worth of U. S. wares.

In the course of their exhibitions at these international fairs, American firms are building up an increasingly valuable data file on the buying habits and peculiarities of foreign consumers. In the case of new foods and other products, they have obtained best results by explicit how-to-use labeling. They have also discovered some customer preferences that are specifically national. One example: In apparent contradiction to their reputation for thrift, French housewives do not care for the "large economy size" packages that are so popular in this country, but instead much prefer smaller packaging for their day-to-day buying.

Although the number of fairs scheduled in the Near East, the Far East, Latin America, and Europe is rising, the competition for the available exhibit space is also rising. Commerce advises making reservations for exhibits a year ahead of the opening dates for the larger fairs and a half year ahead for the smaller shows.

—*Tide*, May 7, 1955, p. 32:2.

TOP PRIORITY: On the theory that any executive would want to get a piece of pink paper off his desk in a hurry, the National Office Management Association printed a recent survey questionnaire on pink stock, reports Lawrence Stessin in *Forbes*. Just as they had hoped, NOMA got quick replies from almost 20 per cent of the addressees.

Suggestion Selling—A Lost Art?

"VERY FEW RETAIL sales persons really try to sell." That was the experience of 90 shoppers sent on Suggestion Selling Shopping Tours in nine cities by Southern States Cooperative, Richmond, Va., in January and February.

In each of the cities 10 shoppers were given $5 apiece, told where to go, what to buy, and what to say. Shoppers' statements were worded to give sales people a hint as to additional purchases needed.

In Richmond, for example, one shopper told a sales clerk: "I would like a tube of toothpaste. I just arrived in town and I lost my bag on the way." Wrapping up the toothpaste, the sales person asked, "Is there anything else?" The reply: "No." The sales clerk sympathetically added, "I hope you find your suitcase soon." The shopper left with $4.73 in his pocket.

The 90 shoppers, with a total of $450 to spend, parted with only $138.07, though they tried their best to spend the entire sum. In Louisville, one of the shoppers went into a store, looked carefully at $3 neckties, and told the sales clerk: "I want a necktie. I have to dress up for a big party tonight." The sales person suggested that he go to another counter where he would find cheaper ties.

Another shopper told the sales clerk at the pet supplies counter of a department store: "I would like a dog collar. My dog has been chasing my laying hens and has been worrying the neighbors by turning over their garbage cans. He seems to be hungry all the time." Without suggesting any other purchases, the clerk sold him a collar for $1.35—but before he could pay for it reduced the price to $1.10.

—*Sales Management* 5/1/55

Employee Annual Report Contest

THE BEST ENTRIES in a nation-wide contest for employee annual reports will be named shortly after July 15 by a board of five judges headed by Kenneth E. Olson, Dean of the Medill Clark School of Journalism, Evanston, Ill. The contest is the second of its kind to be sponsored by *The Score*, a monthly employee relations report published by Newcomb & Sammons, Chicago.

Entries in the contest are to be judged for general journalistic quality, "effectiveness in merchandising the management story," public relations value, plant-level acceptability, and value as corporate financial statements. Each entrant will receive a detailed, objective evaluation of his report by the judges—who include, besides Dean Olson, S. R. Bernstein, editor of *Advertising Age;* Robert L. Bliss, executive vice president of the Public Relations Society of America; Carl C. Harrington, editor of *Mill & Factory;* and John A. McWethy, assistant managing editor of the *Wall Street Journal.*

Stockholder reports, if also distributed to employees, are eligible to be entered in the contest, which closes on July 15. Reports must be published between July, 1954 and July, 1955. Six copies of each report to be entered, accompanied by a $10 entry fee, should be sent to *The Score*, Newcomb & Sammons, 224 East Ontario Street, Chicago 11, Ill.

For the Specialist . . .

A Checklist for Effective Package Design

TO BE an effective merchandising instrument, a package must not only protect and identify the product but also serve to arrest the shopper's attention, stimulate buying impulses, facilitate product use, and encourage repeat sales.

The following check points will be found useful in analyzing the merchandising potentials of a package. Obviously, the wider the area of distribution and the more varied the types of outlets, the greater become the complexities of the merchandising factors to be taken into account.

The product:

Is this a new product? What—how many—are its uses? What is its relative quality competitively? What are the special sales points or features?

The market:

1. Who are the ultimate consumers—age, sex, income bracket, social-cultural level, races, geographical locations, export markets?

2. The distribution plan—
   a. Regular channels - wholesale and retail
      (1) Independent stores (2) Chain stores (3) Self-service or supermarkets
   b. Mail order
   c. Direct selling

Buying habits:

1. What are the retailer habits or practices with respect to unit of purchase? Storage prior to placing on sale? Display on shelf, counter or window?

2. Is shape and size of package adapted for mass display? Is single unit attractive? Will package be seen above and below eye level? Which panel will be displayed? Will the retailer support the product? Will supplementary or point-of-sale support be given?

Size considerations:

1. Are package sizes properly adapted to distribution methods? Consumer habits?

2. How would changes of size affect consumer convenience? Quantity of purchase or use?

Competition:

1. Have you compared the product itself with competition, direct and indirect?

2. Have you compared packages with respect to material used? Sizes and shapes, colors and designs? Features—desirable or undesirable?

3. Should your package resemble competing packages, or be distinctively individual—from viewpoint of manufacturer, retailer, consumer?

Package appearance—for identity:

1. Are all necessary features incorporated, and are they treated properly with respect to relative position and emphasis?

2. Is brand name unmistakable in position, style?

3. Does package adequately feature trade name?

4. Is name of manufacturer given due prominence?

5. Is product name (as distinguished from brand) featured to give immediate product identity?

6. Does it—or should it—use a "family" design?

7. Does it reflect the outstanding qualities of the product—and the integrity and responsibility of the maker?

8. Is a tie-in with advertising possible?

9. Is the package suited for effective use on TV commercials?

Package appearance—for information:

1. Is all information required by law included and in a manner acceptable for national, state, and foreign distribution?

2. Are there any special regulations that must be observed, such as accurate capacity, sterility of material, etc?

3. Are instructions and uses legible and clear?

4. Is it possible to clarify (shorten, improve) the directions or instructions?

5. Do the illustrations serve to instruct, interest, and/or attract the consumer?

6. Should a blank price panel be provided?

Package appearance—for inviting attention:

1. Are colors and design in good taste? Appropriate for product, retail outlet and consumer? Comparable with competition?

2. Does the package make a strong impression from a distance? From nearby? On shelf, counter or in window? In consumer's home? If purchased as a gift?

3. Does it carry a self-selling story?

4. Have all the pros and cons of visibility package material been weighed?

5. Does the package have remembrance value?

6. Is it a self-sufficient advertising unit, or must it depend on other advertising?

—*Modern Packaging Encyclopedia*—1955, p. 23:1.

The Business Conference—Who Does the Talking?

DO EXECUTIVES talk too much when they run a meeting or conference?

According to a recent study by H. LeRoy Marlow of the Koppers Co., most executives, when they call a meeting to iron out a problem, monopolize 5½ minutes out of every 10. And if they were asked how much time they thought they consumed in doing the talking, they would be way off in their estimates.

Mr. Marlow used a special timing device to stop-watch the amount of time the leader spent in hearing his own voice. At no time, he found, did the dominating executive spend less than 29.9 per cent of the session exercising his tongue. And this despite the fact that the very purpose of the "conference method" involves getting others to do the talking.

What's the cure? Advises Marlow: (1) Be aware of the amount of time you are taking; (2) if you consume more than one minute out of every five, you're probably talking too much.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.) 2/16/55

Pricing a New Product

THE price of a new product can both affect the amount of the product that will be sold and determine the revenue that will be received for a given quantity of sales. However, finding the "right" price is not easy. Past experience is no sure guide as to how the market will react to any given price, and competing products are usually significantly different in nature or quality.

Broadly speaking, the strategy in pricing a new product comes down to a choice between "skimming" pricing and "penetration" pricing. A skimming price policy—the use of high prices coupled with large promotional expenditures in the early stages of market development—has frequently proven successful for products that represent a drastic departure from accepted ways of performing a service or filling a demand. The alternative, known as penetration pricing, is to use low prices as a means of entering mass markets early.

After you have carefully appraised the competitive situation and decided on your basic pricing strategy, you can turn to the task of putting a dollars-and-cents price tag on your new product. In order to do this, you should examine the following factors:

Demand. The first step in determining market demand is to estimate the total potential market for the new product and all its competing substitutes and then estimate the portion of this potential that your product is likely to get.

After determining the competitive range of price, you should try to guess the probable sales volume at two or three possible prices within the price range. The best way to do this is by controlled experiments; next best is by a close estimation of buyers' alternatives in the light of market preference.

Finally, you should consider the possibility of price retaliation by manufacturers of displaced substitutes.

Costs. New product costs may be segregated into six main categories:

The first is direct labor, which can be estimated in one of three ways: (1) You can compare each operation on each component with accumulated historical data on similar operations for similar components. (2) You can develop a mock-up of the proposed workplace layout and actually time an operator who performs a series of manufacturing operations. (3) You can apply one of several systems of predetermined, basic-motion times. When the total direct labor time is determined, multiply it by the appropriate labor rates.

The second is materials and supplies for production. In developing reliable cost figures here, make a methodical list of all requirements and enter the specifications and costs on a manufactured-component estimate form.

Third is components purchased outside. It is important to get competitive bids for parts purchased from other concerns. But in addition to price considerations, be sure to give proper

weight to the reputation and qualification of each potential producer.

Fourth is special equipment. To avoid trouble in this area, make a table showing all cases where special equipment will be needed. The actual estimating of the costs of such equipment is best done by a qualified tool shop. Here again, competitive bidding is an excellent protection on price.

Fifth is plant overhead. This may be estimated as a given percentage of direct labor, machine utilization, or some other factor determined by your accountants to be the most sensible basis.

The final category is sales expenses. Your estimates of sales revenue at various potential volumes can now be compared with your estimates of added costs at those volumes. The difference will be the added profits of introducing the new product.

Marketing targets. If the estimates of market demand and of cost and investment show a rosy profit picture, you must determine what market share or sales volume should be aimed at. Among the factors to consider are the effect the new product will have upon investment requirements, whether or not your existing organization can handle it, and, how it fits in with the rest of your present product line.

Promotion. Closely related to the question of market targets is promotional strategy. As an innovator, you must not only sell your product, but also create a market if one does not already exist.

Channels of distribution. Your choice of channels of distribution should be consistent with your strategy for initial pricing and promotional outlays. Thus, penetration pricing and explosive promotion call for distribution channels that promptly make the product broadly available. Distribution policy also concerns the role you wish the dealer to play in pushing your product, the margins you must pay him to induce this action, and the amount of protection of territory and inventory required to do so.

—JOEL DEAN. *The Controller,* April, 1955, p. 163:3.

Evaluating the Effectiveness of Purchasing

AS A PART of the company supply function, purchasing is responsible for obtaining the goods or services needed, in sufficient time and at proper prices, to permit the orderly conduct of the work of the parent organization. Beyond this, however, the purchasing agent has the duty of thinking about what he buys rather than just doing a good job of buying the precise things he is asked to buy.

There is no one best way to organize a buying office. Each purchasing department should be set up with full regard for the management policies, organization, and budget of the structure it is intended to serve.

There are, however, certain questions that will help to evaluate the effectiveness of an existing organization.

Consider the following questions:

Is the department properly set up to accomplish its objectives, i.e., to do the things management expects, in the way management wants them done?

Do duties overlap or duplicate?

Is there enough supervision, too little, or too much?

Is the organization geared to meet management's requirements about bidding, reciprocity, or records?

Can it produce the kind of reports management wants when management wants them?

To answer questions like these, we have to apply some tests.

1. *The Test of Simplicity*: Is the organizational structure too complicated? Are there too many generals—or sergeants?

Could some of the units be merged? Or would it be simpler to operate if we created a couple of new units, so as to get an important function out where it can be managed more effectively?

2. *The Test of Functionalization*: Are functions grouped logically or are some related functions arbitrarily split?

To be practical, we have to recognize that splitting functions illogically may sometimes be forced upon us by expediency. But the reasons should be compelling and not merely historical. If you want to have an effective organization, it has to have a means for eliminating "sacred cows." Nothing does more to hamper an organization than having to put up with a lot of maladjustments caused by paying homage to tradition.

3. *The Test of Delegation*: Is the department built on the principle of giving people jobs to do, and giving them the authority to get them done? We may find that the whole organization is dominated by one man, or that a part of it is so dominated.

Is the purchasing department chock-a-block with "dead cats"? Is the storehouse running a terrific record of back orders? Is overtime the general rule instead of the exception? These conditions may have various causes, but one of the most common is lack of properly delegated responsibility and authority. The whole department literally mills around, waiting for the boss to issue the "orders of the day."

4. *The Test of Control*: Are the procedures clear, simple, and complete? Are the records adequate and in good order? Do intelligible, yet brief, reports of status get prepared? In other words, how effective are the controls? Where control is good, we can usually find a well-run organization.

Control implies the existence of standards of work performance. One needs to know what work ought to be accomplished, in order to be able to judge how well it is being done. The more objective the work standards can be made, the more effective will be the control that can be exercised over it. What is needed is to delegate the responsibility for reviewing requisitions and then to set up controls that will bring the exceptional cases to the boss's attention.

5. *The Test of Staffing*: How well is the organization staffed? Are the right people in the right jobs? Are they well trained? Do they constitute assets or liabilities? Is there too much turnover? If so, what is causing it? Are any of the causes internal?

Is there a planned approach to in-service training? Are staff members encouraged to broaden their mental horizons by some well-chosen adult education? Is the reading of trade journals encouraged, or treated as something to be done surreptitiously?

6. *The Final Test—Evaluation*: In a sense, evaluation is the process of deciding what all of our other tests mean. It is also a test that should be continuously applied to the work being done, and to the means employed for getting it done.

No organization can stand still. Change is inevitable. Hence, evaluation must also change in emphasis. One month we may be very much concerned over the quality of the typing. Another month, it may be prices. Then it may be record-keeping. All parts of the job should be evaluated regularly. But today's evaluation techniques and standards may require change to meet tomorrow's problems.

—From an address by ALBERT PLEYDELL before the Central Iowa Association of Purchasing Agents.

Your Successor's Job

OUR EXPLODING economy calls for bigger men in bigger jobs. There are at least eight major reasons why our successors must be smarter than we are today:

1. Their jobs will be far larger than ours. There will be millions more people to feed, to clothe, to house, and to provide with jobs. These people will be moving around in the United States—and overseas—and their incomes will rise and fall at different speeds.

2. They are expected to avoid economic busts. Our people are now committed to the ideal that we can control our economic destiny.

3. They must make capitalistic democracy more attractive than communism. Our freedom-of-choice life must offer more desirable benefits for everyone.

4. They hold the fate of our national safety and prestige. The hardest part of the job lies ahead for the men and women who will inherit our economic, political, and spiritual leadership.

5. They will be called upon to make possible a 35-hour week—at full pay. We no longer believe in labor from sun-up to sundown, with rest only on the Sabbath.

6. They are expected to continue and to add to the present "fringe benefits"—Social Security, pensions, health insurance, more holidays. These benefits have become a part of our way of life.

7. They must make good. The people who are now coming into our business life believe in themselves. They have never experienced personal failure.

8. We've helped to make them smarter. Isn't our finest accomplishment the ability to spot and to develop people who can surpass our own achievements? Each of us should fervently hope that our business successor will be smarter than we are.

—*Sales Management* 3/15/55

Users Help Design the Product

WHEN A MANUFACTURER decides to market a new product—or redesign an old one—he can't just go out and ask the consumer what he would like in the way of design. By and large, people either don't know what they want or why they want it. And questions alone may not be enough, because it's hard to envision what the researcher has in mind. You often may have to show the potential customer the real thing.

That's what Borg-Warner Corp. did in setting up its cross-country clinics. By this method, the company got women to see, feel, and examine mock-ups of stoves so that Borg-Warner's Norge Division could intelligently design the kind of stove the women wanted at the price they would pay.

General Electric used somewhat the same strategy to line up opinion on designs of washing machines, driers, refrigerators, and other appliances—except that it put the machines in a trailer and took them to the housewife. And Philco and other manufacturers have used similar techniques.

For the purpose of the Norge study "forums" were set up in appliance and department stores in nine cities. There were special rooms where store customers were invited to come in and help design a new range. Over the eight-month survey period, more than 3,000 accepted.

The forums used actual mock-up models of ranges. The customer—in most cases a housewife—was conducted through a series of rooms where she was asked to indicate her preference among a number of different mock-up models of range tops, oven arrangements, etc. The findings led to several recommendations—some of which are being put into effect now, some of which are still being worked over in the lab.

—*Business Week* 3/15/55

The Age Barrier—A Survey of Employment Policies

MANY COMPANIES are inclined to reject male job applicants who are over 45, according to the findings of a recently completed survey of 427 companies by Sales Executives Club of New York. Nineteen per cent of the manufacturers replying admitted to a definite policy against employing men over 45 in their sales forces; 15 per cent of retailers and 13 per cent of wholesalers followed similar policies.

The survey showed that, while 21 per cent of firms employing over 500 employees had this policy, only 9 per cent of companies employing 50 to 100 employees had such a restriction. Only 3 per cent of companies with fewer than 10 employees showed a bias against older men. Spokesmen for larger firms said older men are likely to be more difficult to handle and more set in views and habits.

Small companies are the best bet for older men, according to the survey. They "are not only less likely to be hidebound by pension plans . . . but they are unusually anxious to secure experienced men—especially those with big-company orientation—who will bring to such organizations a familiarity with the kind of problems they expect to meet and hope to solve as they grow bigger."

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 4/30/55

Current Progress and Prospects in Automation

At Columbus, Ohio, 2,613 machines and tools combine with 27 miles of conveyers to turn out two Westinghouse refrigerators a minute.

In Louisville, Ky., a Remington Rand Univac is the first of the big computers to take up a purely commercial task. It processes the payroll for the 12,000 employees in General Electric's major appliance division there.

In Calvert City, Ky., a relatively few men produce rare chemicals at a plant in which the capital investment by General Aniline & Film Corp. amounts to several million dollars. At Newark, N. J., the Prudential Insurance Co. of America prepares to turn an International Business Machines electronic computer loose on the task of servicing 3,000,000 accounts receivable, only the first of its jobs.

Automation, in short, is popping its buttons. All through American industry, firms are trying or considering this idea of letting machines do more, thus relieving humans of wearisome and boring tasks.

In fact, John Diebold, a leading authority in the field, now questions whether the word says enough. Besides its application to large-scale manufacturing, where it means increasingly automatic production methods, automation is turning to office work and to smaller-scale manufacturing. Mr. Diebold points to "a tremendous surge of interest" recently in this second application. The over-all trend is widely hailed as the "second industrial revolution," and a measure of its force is the fact that in each of the three months July, August and September, 1954, a new trade magazine devoted to automation appeared.

The ideal of automation is a fully automatic factory, which after it is set up and started, will produce even if the only humans around are the ones who bring in the raw materials and take the finished products away. In theory, it is now possible to make any manufacturing process fully automatic. In many cases, such as the assembly of fine cars, that probably never will be done, although parts of such operations surely will be automated. The capital investment required for automation is high, and therefore automation lends itself best to the manufacture of products for which there is a large and constant demand, with few model changes. Thus, it is feasible to make engine blocks automatically, but not whole automobiles. The generation of electricity and the handling of liquids are processes where automation is especially valuable and has advanced far, largely because the products are fairly standardized and the demand is constant.

One problem in automation is keeping in view the forest instead of the trees. Robert L. Henry, an expert in the field, points out the tendency to make an automatic machine do an operation the way a man does, and he observes that this is not necessarily the best way. Imagining an effort to de-

sign a machine that would wrap cigaret packages in cellophane automatically, he suggests that it might be far better to try something radical—like dipping the pack into a solution which would dry into cellophane—than begin with the cellophane and the pack and try to make a machine that will put them together.

Mr. Diebold refers frequently to the need for re-thinking the entire operation to which automatic control is to be applied. Often automation will be most fruitful after the process and perhaps the product have been redesigned, he says.

Mr. Henry sees automation in this perspective:

"There is a fear that technical people plan some mass envelopment of the population. That's inconceivable. There is a vast chasm between what can be done and what will be done in automation.

"The reason we have automation at all, or don't, is economic. Nobody is doing it for curiosity or patriotic reasons. Automation isn't an end in itself. It doesn't necessarily mean reduced cost or a better process. Generally, the objective is to increase the productivity of human labor."

—James Rogers. *Nation's Business*, Vol. 42, No. 12, p. 30:2.

Recruiting and Training Engineering Graduates

Realizing that the best potential source of technical employees is the college campus, hundreds of companies send recruiters each year to interview engineering graduates. Your company must therefore take measures to arouse the student's interest before your interviewer reaches the campus, or he may find that he has few, if any, men to interview.

The first requisite for engaging the student's interest is to put in his hands, usually through the medium of his college placement office, a brochure describing your company, its products, details of your training program if you have one, what types of jobs are available, and what the future holds for the young engineer. Each company visiting the campus will have such a brochure too, so you must put just a little more appeal and personal interest in yours.

It is just as important to interest the faculty in your company as the student himself. The senior invariably seeks counsel of his professors as to what companies offer the best opportunities to the engineering graduate. Certainly the faculty will not suggest your company if its members know little or nothing about it.

Summer employment of juniors is also an excellent way to capture the student's interest, especially if he has the opportunity of meeting some of the men in the training course.

By the end of the recruiting season, most students, particularly the better ones, now receive from four or five up to a dozen or more offers; consequently they are apt to be thor-

oughly confused as to which one to accept. If, at this juncture, the company representative follows up the original interview, he may find a very receptive young man.

Even if a repeat call cannot be made in person, a follow-up letter can be sent, enclosing interesting promotional material, such as copies of the house organ, recent ads, pictures of new projects, or details of the company's new developments. If it is feasible for the student to visit your plant before making up his mind, it is well to suggest that you will prorate his expense with other companies he wants to visit on the same trip.

After the applicant accepts your offer and, together with other recent graduates, arrives at your plant ready to begin his life work, what will you do with him?

A well-organized and closely supervised training program has proven to be the best means of indoctrinating college graduates into most industrial organizations.

In general, training programs for engineering graduates should provide the following:

1. A general orientation period in which company policies, organization, operational procedures, departmental or divisional functions, and like matters are discussed by the top executives. Opportunity should also be given to the class members to meet these executives during this period.

2. Assignment of all students on a rotation basis to all departments or divisions of your organization where, under close supervision, they will help build the equipment or products made in each department.

3. Sufficient time in the engineering, design, research and development, production, planning, and/or other technical departments to learn at least the fundamentals of these activities in your organization, and just how they all dovetail.

4. Classroom lectures and discussions covering basic technical fundamentals as applying to your products or services, the products themselves, and their application to industry. Preferably, these should be given by as large a staff as possible so as to utilize the best talent available; to give the student the opportunity of learning who the key people are in your organization; and to add variety to the presentation. Examinations should be given frequently and graded so as to judge the student's aptitudes and his ability to grasp what is being presented to him.

5. The opportunity for the student to select the kind of work in which he is most interested after the formal training program is completed. Since most college graduates do not know what they want to do when they leave college, the chance of "trying their hand" at many different activities within your organization during the training program helps them to make the proper decision.

6. After the formal training course has been finished and the actual job assignment has been made, there should be additional training of the "on the job" type. Here the young engineer should work with experienced men who can direct his work along the desired lines. The student should be able then, within a relatively short time, to take over a job

assignment on his own, or at least be capable of assuming minor responsibilities and limited supervisory duties.

Training is never ended. New techniques, new developments, new products, and new procedures always require engineers to keep alert and abreast of the times. Through refresher courses, informative literature, and membership in professional organizations, the young engineer can keep up to date on his company's activities.

—From an address by R. E. SPRENKLE before the American Society of Mechanical Engineers.

Marketing Costs—They're Taking More of the Sales Dollar

SELLING AND DISTRIBUTION COSTS appear to be taking a bigger slice of the sales dollar today than five years ago, according to a survey of 125 manufacturing companies recently completed by the National Industrial Conference Board. Over this period marketing costs as a percentage of sales increased significantly in 44 companies, more than three times the number reporting a decline. About half (61) of the participating firms reported no significant change.

Furthermore, of those companies reporting on the trend of their marketing expense ratios in 1954, 35 disclosed an upward trend, while only 7 indicated a lower ratio and 64 reported no change. The trend toward higher sales-expense ratios was accentuated in 1954 by a lower volume of sales in relation to the somewhat fixed nature of some selling and distribution expenses.

Queried on the outlook for this year, respondents in the survey replied as follows:

Thirty-eight companies predicted an increase in the ratio of total selling and distribution expense in 1955, 31 expected reductions, and 48 foresaw no change. Direct selling expenses as a percentage of total sales will be higher than in 1954 for 24 per cent of all reporting companies, lower for 20 per cent, and about the same for the remaining 56 per cent.

Warehousing and delivery expense ratios will be lower for 28 per cent of all reporting companies, and unchanged for 61 per cent. Only 11 per cent anticipate a rise. Almost twice as many manufacturers (29) plan to boost their advertising expenditures as a percentage of sales as plan decreases (15), while 44 producers expect to maintain last year's ratio of expenditures to sales.

Out of 65 firms reporting on their proposed marketing expenditures other than for direct selling, warehousing and delivery, and advertising, 14 expected an increase in 1955 relative to sales volume, 16 predicted a decline, and 35 expected no change.

In 1954, the average spent by cooperating companies on selling and distribution activities was roughly 10 per cent of sales. Of this amount, about 40 per cent went for direct selling expenses, 24 per cent for warehousing and delivery, 13 per cent for advertising, and 23 per cent for all other selling and distribution expenses.

Helping Your Salesmen Work with the Office

THE PRESSURE is on for sales increases in 1955, and salesmen are finding it difficult to answer inquiries from the office as promptly as when they were not so busy. Here are a few suggestions about ways in which management can make it easier for its field representatives to reply promptly to letters and communications from the office:

1. Put an acknowledgment "coupon" at the bottom of form letters requiring a prompt reply. Word the coupon so all the salesman has to do is to check what action will be taken, tear off the coupon, and slip it into his next letter to the office.

2. Provide each salesman with airmail return envelopes, with airmail stamps affixed, so that he can get off a quick reply to a request for information without having to go down to the lobby to buy a stamp.

3. Take the odium out of report writing by providing easy-to-check forms, which also serve as call lists if salesmen are routed from the office. The form lists each call to be made, the address, the man to see. Space opposite the name is provided for data required by the office—such as "order enclosed," "order promised," "call back on. . . .," "no sale," and so on. Such forms should be made in duplicate so that one copy can be mailed to the office and the other kept by the salesman for reference.

4. When a salesman fails to close an important sale, especially if competition is active, management usually requires a "lost sale report." Make it easier for him by providing special forms (red paper makes them appear urgent), arranged so that most of the usual information can be checked "yes" or "no."

5. Lost letters from the office often give rise to bad feeling between a salesman and the office. A salesman on the go often misses some letters from the office. Try using an extra long, colorful envelope which will extend beyond the other mail so that it can be quickly spotted by the salesman if it is in someone else's box. Number each envelope, starting with No. 1 when the salesman begins a trip. By noting the number, he will know if a letter is missing and can wire back to his last hotel and have it forwarded.

6. If salesmen are expected to make prompt reports on calls, provide them with dictating machines of the type that can be operated from an automobile battery. All the salesman needs to do is to pull off the road for a few minutes after making a call and dictate the result. That evening, after he has completed his calls, he can slip the record into the envelope provided for that purpose and mail it to the office.

7. Paper is now available which gives copies without carbon paper. Half-letterhead-size pads of this new paper—for correspondence with the office or with customers—can be furnished so the salesman won't need

carbon paper to get a file copy of the letter.

8. Supply salesmen with self-addressed postal cards to keep in their cars or briefcases for quick messages to the office. Then they won't have to wait until they get back to the hotel in the evening. There is nothing like making it easy for a person to do a thing on the spur of the moment.

9. Service-minded companies require that orders be telephoned to the office for shipment the same day. By hooking a tape recorder or a dictating machine to an incoming wire, reserved for use of salesmen telephoning in orders, a salesman can "talk" his order to the recording device and save time and mistakes.

10. If management wants salesmen to work more cooperatively with the office and to be better housekeepers as far as their records, samples, price lists, catalogues, and advertising helps are concerned, the way to get such cooperation is to work more closely with them. Send them copies of the letters you write to their customers. Make them feel they are on the team and they will go all out in cooperating.

11. When you make a salesman realize that his daily reports enable the office to cooperate more closely and that you really make use of the reports instead of just putting them into a file to be forgotten, his attitude toward reports will soon change. If he fails to report, let him know you missed your daily visit on paper with him. If he needs help, make sure he gets it promptly. When he takes time out to write, endeavor to answer his letter the same day.

12. Don't forget the pat on the back for a job well done. Keep a pad of memo blanks on your desk. When a salesman makes a tough sale, say "Nice work." When he turns in a creditable expense report, let him know that you appreciate it. When he does something noteworthy in the way of cooperating with the office, compliment him. There is no substitute in management for letting people know you are in sympathy with their desire to do their job better.

—J. C. ASPLEY. *American Business*, Vol. 25, No. 2, p. 26:2.

Who Decides What to Buy?

THERE IS A VAST difference between a requisition and a purchase order, between a specified material or component and a specified source of supply. This is demonstrated by a recent survey conducted by the Ross Federal Research Corp. among design and product engineers. Replies were received from 198 companies in varied lines of manufacture—automotive, aircraft, parts and accessories, electronic, domestic equipment, farm equipment, heating equipment, office equipment, and machinery.

In 118 of the companies, or 59.6 per cent, the design or product engineer provides specifications for materials and components, and leaves to another department the responsibility of choosing the brand or make to meet these specifications. In 103 of the companies, or 52 per cent, he names a certain brand, allowing for alternatives by noting

"so-and-so brand or equal." In 56 of the companies—or 28.3 per cent —he definitely specifies the brand to be purchased. (Answers total more than 100 per cent because some of the companies use different procedures for different types of products.)

Respondents were also asked: "If you leave to another department the work of finding the brand or make of materials or components to meet your specification, what department exercises this function?" This question was answered by 146 companies.

In 111 cases, or 76 per cent, this selection is made by the purchasing department on its own authority. In an additional eight cases—or 5.5 per cent—the selection is made by the purchasing department in conjunction with some other department, usually engineering. In 24 cases, or 16.4 per cent, the selection is made by engineering; and in three cases, or 2.1 per cent, the selection is made by production and other departments.

—Purchasing 4/55

Making Color Pay Off in the Plant

AT MASTER LOCK CO. (Milwaukee, Wisc.) a home-grown program of color dynamics has stumped some experts, anticipated the findings of others, and violated most conventional factory practices.

Giant padlock-making machines are painted in flamboyant brights to show dust and soot rather than hide them. Pipes and conduits, usually painted to blend unobtrusively into walls and ceilings, gleam in iridescent greens and yellows.

Master Lock was among the first companies to experiment with yellow in place of red as a danger color. Some of its findings have modified safety standards set by city and state codes and by insurance companies.

Two standards were used in determining the efficiency of a particular color or color combination: the workers' preferences and production records. What finally developed was an eye-rest green for the machinery with buff and yellow to point up guards and other units.

Unlike other factories where machines are painted in dark shades so the dirt won't show, the company uses bright tones—to make dirt stand out. The reason: "If they see the dirt, they'll clean it." And they do. The plant is immaculately clean, although there is no company rule requiring employees—60 per cent of whom are women—to play housekeepers.

The color program is credited with contributing to Master Lock's excellent safety record—it has a lower accident rate than any comparable plant in the nation. Color also serves a valuable purpose in production. Each department has its own code color which is used on all of its equipment and production charts. This enables a foreman or worker anywhere in the plant to look at the containers in which a production piece is carried and tell exactly what stage of production that piece is in. Moreover, the system makes it possible to identify sizes and production steps within a section. Finally, colored wastebaskets, tools, chairs, etc., tend to stay in their own departments, making inventories easier.

—Safety Maintenance and Production 4/55

The Dilemma of the Stenographic Pool

CENTRALIZATION of stenographic services should provide management with the customary benefits, both of functionalization and of specialization which have rewarded it handsomely in the past. Yet there is always a danger of going too far. The ultimate goal of functionalization is integration again into the whole. But if functionalization so disintegrates human relations that the whole is achieved with greater effort, the net result is loss, not gain.

In centralizing stenographic services, management tends to overlook the fact that most of the benefits of the plan that do occur, if any, go to the company through decreased budgets, uniformity of correspondence, and better control rather than to the individual manager who needs the stenographic work done. These results do not strongly endear the plan to the sentiment of the individual manager, who is probably inconvenienced because he lacks a personal stenographer.

The problems which develop from the setting up of stenographic pools more often concern feelings and viewpoints, rather than the technical workability of the plan. And the greatest of these problems is that which results from the devalued status of the stenographers and their former bosses.

Consider, for example, the point of view of the stenographers. In spite of all that can be done, status in the pool can never equal status that exists when working for a particular manager or small group of managers. As the stenographer's personal relationship with her boss disappears, so does the variety and skill of her job. Work becomes monotonous and routine. Usually its continuity of meaning is reduced or lost. Work becomes less meaningful to her, and her mind is not employed—only her skill.

The situation is no better from the viewpoint of the manager whose stenographer has been displaced. His status is also degraded. He formerly had a personal stenographer. Now he has none. He formerly had someone dependable and personally interested to handle his mail and office work when he was away from the office. Now, he may not have anyone to look after these matters.

Without a personal stenographer, it is difficult for the executive to schedule his dictation (if personally given) or his correspondence (if machine dictated) because he must wait until the person in charge can schedule him a stenographer. If he has rush work, he needs to get the approval of the supervisor of stenographers, which puts him in the position of asking a staff person of lower status to approve a priority decision he has made.

Aside from the problem of status, communication between the executive and the stenographer is another disadvantage of the stenographic pool. It is an accepted fact that a new

stenographer is not fully effective until she learns her manager's dictation habits, language foibles and flourishes, problems, likes and dislikes—in short, his personality and his work habits. In turn, he must understand hers. Furthermore, she must adjust to the terminology peculiar to him and his job.

This adjustment is not encouraged and, in fact, is hardly possible in centralized stenography. Compared to personal stenography, centralized stenography is the riper situation for flaring tempers and job dissatisfactions on the part of both stenographers and managers.

As if human relations problems were not enough, centralization is further discouraged by the realization that all the work the personal stenographer does cannot be moved with her to the centralized pool. Certain routine and special work occurs at the manager's work place and can hardly be transferred.

Managers are hired to manage rather than to perform routine duties, whether they are among top management, middle management, or supervisory management. Stenographers and clerks—in fact, all staff services—are functionalized in order to help managers do a better job of managing. These services are always ancillary to the manager's function. If full-time service is to be required of him, these ancillary services must be there when he needs them.

These observations do not mean that the centralization of the stenographic function is impractical. But they do warn us that centralization should be approached with full knowledge of its problems and implications, with participation of those involved, with careful study of each company situation, and with adequate weight being given to human relations factors.

There are several variations in between complete pooling and specific assignment of stenographers to individual executives. One of these "in-between" compromises may be the best arrangement in certain situations because it avoids some of the problems caused by an extreme approach.

—KEITH DAVIS. *Office Executive*, May, 1955, p. 37:3.

The High Cost of Misfiling

WHAT IS the actual cost of a filing error in business? Incredible as it may seem, an over-all average figure of $61.23 per misfiled paper was reached by Industrial Psychology, Inc., after an exhaustive seven-year study of records operations in insurance companies, banks, savings and loan associations, department stores, mail-order houses, sales organizations, and large and small manufacturing companies.

And what percentage of papers are misfiled? As shown by numerous surveys, companies generally misfile from one to five per cent of their records and permanently lose half of those misfiled. A misfile rate of one per cent is considered normal by most organizations.

—*Record Trends* (Record Controls, Inc., Chicago)

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

THE COMING BOOM: PREVIEW OF 1960. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), May, 1955. This comprehensive report on the future business prospects of America is based on a five-year study by the Twentieth Century Fund. Foreseeing more goods, more jobs, and richer customers by 1960, it provides a detailed analysis of the projected economy, as compared with that of 1950. Among the key sectors included in the survey are population, the consumer market, transportation, capital expenditures, government expenditures, foreign trade, industrial capacity, labor, and technology.

WHAT'S HAPPENING TO THE INDUSTRIAL PEACETIME ATOM? *Challenge* (32 Broadway, New York, 4, N. Y.), April, 1955. 20 cents. A question-and-answer interview with Walker L. Cisler, president of The Detroit Edison Company, in which he discusses the problems involved in the development of the atom for constructive purposes. Emphasizing that atomic energy is no different from the energy derived from conventional fuels, and must be transformed into conventional power if it is to have widespread application, Mr. Cisler expresses the opinion that the power industry should bear its fair share of the expense of developing the atom for commercial uses.

THE MANAGEMENT AUDIT. By A. Stewart Thompson, Jr. *The Business Quarterly* (University of Western Ontario, London, Ont.), Fall, 1954. Reprints available from the author at Supersilk Knitting Mills, London, Ont. A management audit, defined here as a broad and constructive examination of the policies, organization, and operations of a business, will improve the spirit and efficiency of an enterprise, the author asserts. Using case histories, he shows how the management audit should be developed and applied and describes the results a company can expect from its use.

IN EXPANSION PLANNING—HOW MUCH SECRECY? *Industrial Development* (5009 Peachtree Road, Atlanta, Ga.), March-April, 1955. $3.00 a year. When a company decides to build a new plant, should it publicize the fact before the site has been selected? Here, a special advisory board of experts on area analysis and site selection considers the pros and cons of keeping expansion plans secret and concludes that careful control of news is the best answer.

"MANAGEMENT SCIENCE" AND THE MANAGER. By Peter F. Drucker. *Management Science* (Mt. Royal and Guilford Avenues, Baltimore 2, Md.), January, 1955. $2.50. An analysis of the methodology, tools, and techniques the manager needs to do an orderly and systematic job of managing. Starting from a consideration of the decision-making process and the structure of the business enterprise, the author proceeds to set the specifications for "management science" in terms of what he considers to be its aim, method, and focus.

BALANCING AMERICA'S PRODUCTIVITY. By Robert R. Updegraff. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), April, 1955. 75 cents. Mass production and mass distribution, the author points out, are the twin components of the American "Machine-for-Good-Living." Together, they are busy turning out six basic products: goods, services, jobs, profits, leisure, and security. He proceeds to give a thoughtful analysis of the factors that keep the "machine" in balance.

GETTING THE NEW EXECUTIVE OFF TO A FAST START. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), March, 1955. 35 cents. When a top executive is brought into a company from the outside, he frequently has to fight for recognition and cooperation. That this need

not necessarily happen is evidenced by the case histories reported here: Carl G. Seashore describes his pleasant "indoctrination" at Riss and Company, Inc., and Duncan C. Menzies, new president of Servel, Inc., tells how he took the earliest opportunity of acquainting his new management team with himself, his background, and his philosophy, and so by-passed the usual stumbling-blocks to coordinated functioning.

THE REAL ESTATE SIDE OF EXECUTIVE CHANGES. *Business Week* (330 West 42 Street, New York 36, N. Y.), April 16, 1955. 25 cents. In most cases, when individual executives are transferred—to say nothing of mass company moves—real estate transactions are involved: Almost every executive who is moved has to sell his house and buy another at his new location. The policies and practices of leading companies on the question of defraying the expenses of uprooted personnel are surveyed in this report.

COMMUNICATIONS—WHERE DO WE GO FROM HERE? By Vannevar Bush. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), April, 1955. In this discussion of possible improvements to our present communication devices, the author puts forward a number of interesting suggestions. Among the devices he singles out as being capable of more effective use are the telephone, the handling of mail, the transmission of special messages, and the mechanization of record systems.

INDUSTRIAL RELATIONS

"UNEMPLOYABLES" WORK WELL. By Phil Hirsch. *The Spectator* (Chestnut and 56th Streets, Philadelphia 39, Penna.), April, 1955. 50 cents. By following the principle that, if a job applicant is able and willing to work, he should be accepted regardless of any impairment he may have, Bankers Life and Casualty Company of Chicago has found that over-aged or handicapped workers can do many jobs as well as, and in some ways better than, younger or so-called "normal" personnel. Here, the author describes how the company's program for hiring handicapped workers, which began seven years ago, has worked out.

DEVELOPING LEADERSHIP STATUS AMONG SUPERVISORS. By Eugene Emerson Jennings. *Personnel Journal* (Swarthmore, Penna.), April, 1955. 75 cents. Starting with the idea that supervisors might become better leaders of their workers if they were trained to become leaders among their equals, the author applied the Forced Leadership Training method to a group of supervisors in a large factory. Here he describes the way the study was carried out, and how the results were assessed.

MAJOR STUDIES OF WORKERS' REASONS FOR JOB CHOICE. By Abraham Bluestone. *Monthly Labor Review* (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.), March, 1955. 55 cents. An analysis of the findings of eight major studies that aimed at finding out why workers quit their jobs, take new ones, or remain where they are. Though emphasizing the limitations of the data, the author deduces from them that wages, physical conditions of employment, and long-range possibilities of increased earnings are the main reasons for changing jobs, while seniority provisions and the risk of unemployment are the chief factors influencing the decision to "stay put."

IS IT TIME TO CHANGE JOBS? By Jerome Meyer. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), March, 1955. 75 cents. All too often, people change their jobs on impulse, or from a mistaken idea that the switch will solve the particular problem that happens to be bothering them. Here, the author explains the necessity for making an objective appraisal of oneself and one's present job before coming to a decision, and offers an "emotional bias" checklist as an aid in determining whether it is time to move on.

ACCIDENT PRONENESS—A CLINICAL APPROACH TO INJURY LIABILITY. By Alan A. McLean, M.D. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), March, 1955. 75 cents. A presentation of the clinical aspects of injury-liability, in which the author discusses the influence of environmental stresses and the total psychological work climate, as well as

the characteristics of typical injury-liable personalities. He concludes that there are as many accident-proneness patterns as there are individual accident repeaters, and that the problem calls for a variable approach.

WHAT MANAGEMENT SHOULD KNOW ABOUT INDUSTRIAL HEALTH PROGRAMS. By Louis E. Newman. *Management Methods* (141 East 44 Street, New York 17, N. Y.), March, 1955. 50 cents. A discussion of what, in the author's opinion, are the main objectives of a modern industrial health program. These, he suggests, should be: (1) the setting up of yardsticks to measure the effectiveness of the program; (2) participation with management in order to establish medical services that are tailored to the company's over-all objectives; and (3) the development and practice of a code of ethics for the industrial medical profession.

EROSION OF MANAGEMENT PREROGATIVES. By Louis Baldwin. *Personnel Journal* (Swarthmore, Penna.), April, 1955. 75 cents. The growing trend for labor to share responsibility in areas once considered the sole authority of management must be slowed down, but mere resistance on the part of management will be negative and sterile, the author holds. More formal training is necessary at all levels, he believes, if mutual acceptance and understanding are to be achieved.

DO MANAGEMENT ATTITUDES DETERMINE UNION-MANAGEMENT RELATIONSHIPS? By Ross Stagner. *Current Economic Comment* (College of Commerce and Business Administration, University of Illinois, Urbana, Ill.), February, 1955. Gratis. In considering the question whether top-management attitudes play a decisive role in union-management relations, the author bases his conclusions mainly on the findings of the Illini City studies conducted by the Institute of Labor and Industrial Relations of the University of Illinois. His general thesis is that management attitude, whether favorable or unfavorable to the union, will be a significant determinant of the industrial relations pattern, but that a number of other determinants must also be taken into account.

OFFICE MANAGEMENT

THE DOUBLE STANDARD PARADOX. By Bentley Barnabas. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), May, 1955. 50 cents. Preconceived ideas about male versus female performance on the job can lead to hiring policies that are unfair to both sexes, the author says. Emphasizing that such differences as have been found to exist are only averages, he takes the view that the double standard prevailing in most offices should be replaced by a single one that judges each employee on the basis of his or her individual aptitudes, interests, and personality in relation to the job itself.

BEWARE OF GENTEEL CROOKS. By Charles W. Keysor. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), April, 1955. 35 cents. Credit fraud is estimated to have cost American business $300 million last year. Here the author describes a number of ways in which "white collar bandits" operate, and offers some useful advice on how a company can protect itself against them.

WHAT WORK SIMPLIFICATION DID FOR JOHN PLAIN & CO. By Herbert O. Brayer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1955. 35 cents. A detailed account of how the installation of an integrated data-processing system embodying high-speed electronic equipment reduced clerical costs, stabilized employment, and improved management controls in a wholesale mail-order company.

HELPFUL HINTS FOR THE SMALL OFFICE. By Catherine A. McClarren. *The Spectator* (Chestnut and 56th Streets, Philadelphia 39, Penna.), April, 1955. 50 cents. Some useful short cuts for speeding up and streamlining office operations, either by means of more suitable equipment or more efficient use of the equipment that is available. Written primarily with an eye to the special problems of the small insurance agency, the article is based on two leaflets on the subject recently published by the Small Business Administration of the U.S. Department of Commerce.

PRODUCTION MANAGEMENT

GARBAGE IN THE SKY. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), April, 1955. $1.25. U. S. industry is already spending over $100 million a year to control air pollution—mostly in response to public clamor—and management is becoming increasingly concerned about the problem of how to act the part of the good neighbor without exceeding the limits of economic good sense. From the recent developments in air-pollution research and control reported here, it appears that fresh air will never be cheap—and civilization still has to decide how much, exactly, it is willing to pay for it.

A MATERIALS HANDLING SYSTEM WITH BUILT-IN CONTROLS. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), May, 1955. Reprints 25 cents each. This comprehensive manual on the control of materials handling contains a detailed report on the system in operation at the Tapco plant of Thompson Products, Inc. Other sections cover the fully automatic foundry system developed by the Osborn Manufacturing Co., and the uses of prefabricated wire-bound crates and fibreboard containers.

WATER. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), April, 1955. 75 cents. Water, industry's most basic raw material, is no longer as abundant, or as pure, as it used to be. Water shortages and water pollution are increasingly important problems to manufacturers everywhere—and the source, in their turn, of big new industrial markets. In this three-part discussion, Annesta R. Gardner shows how water problems are worth management attention from the marketing as well as the operating point of view; Secretary of the Interior Douglas McKay outlines government plans and policies; and R. B. Balmer and H. L. Jacobs consider industry's role in the task of preserving and protecting the national water supply.

MATERIAL HANDLING AND THE NATIONAL ECONOMY 1955-1965. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), May, 1955. 50 cents. A special issue surveying the effect of materials handling on rising productivity in the next 10 years. In addition to a four-part analysis covering the role of planning, technological development, the potentialities of the materials handling industry, and the challenge of automation, it contains a number of other articles on specialized aspects of the over-all theme. Among these are automatic handling, plant organization and personnel training, selective employment, the use of closed-circuit TV for inspection and traffic control, and coming changes in the distribution of bulk commodities.

MARKETING AND SALES MANAGEMENT

HOW MANUFACTURERS ARE HELPING DISCOUNTERS. *Tide* (232 Madison Avenue, New York 16, N. Y.), April 23, 1955. 50 cents. With the blossoming of the discount house into a recognized retail outlet, manufacturers are showing greater willingness to help it move goods, this report reveals. Discounters can now get in-store displays, direct-mail literature, and sales-training help for almost any product; for most products they can also get a cooperative advertising allowance, if they want it. The report considers some of the problems involved in cooperative advertising of fair-traded items at off-list prices, and predicts that more co-op money and other help will go to discounters in the future.

GROWTH OF AN INDUSTRY. *Industrial Distribution* (330 West 42 Street, New York 36, N. Y.), April, 1955. 50 cents. This special section records the history of a century of change in the distribution of industrial supplies and equpment. Pointing up the part played by the mill supply business in the nation's fabulous industrial

growth over the past 100 years, it surveys the organization of the distribution industry since 1900 and the numerous problems presented by technological changes, two world wars, the depression, and the growth of the economy since 1945.

MOTIVATION RESEARCH—THE SIGNIFICANCE OF CONSUMER BEHAVIOR. *ACME Reporter* (347 Madison Avenue, New York 17, N. Y.), No. 2, 1955. Gratis. A thoughtful appraisal of the new psychological and sociological approach to the "why" of consumer behavior. Using a hypothetical soap manufacturer as an example, it shows how this type of research can provide more significant information than is obtained from purely quantitative surveys, but emphasizes that not every manufacturer or seller needs to dig so deeply into consumer motivations. Some practical advice on the problem of implementing the findings of motivation research is also offered.

GOOD TIMES AHEAD FOR NATIONAL BRANDS. By Nugent Wedding. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), February 4, 1955. 25 cents. A study based on two surveys of the opinions of manufacturing and packing companies, wholesalers, retailers, and trade associations on the market positions and sales trends of manufacturers' brands as compared with distributors'. The surveys revealed that on the whole manufacturers' widely advertised brands of canned fruits and vegetables are gaining at the expense of distributors' brands. The reasons for this trend are analyzed by the author, who concludes that the economic climate favors the national advertiser.

HOW TO DOUBLE YOUR RETURNS FROM DOLLARS SPENT FOR SALES RESEARCH. By W. H. Heusner, *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), April 15, 1955. 50 cents. As a method of enabling both market research directors and top management to get more value out of the money they spend for market research, the author suggests a check list of market research functions in relation to management problems and decisions. A sample chart is reproduced, and its uses are explained in some detail.

FACTS ARE YOUR STRONGEST ALLY. By Cason Parker. *Purchasing* (205 East 42 Street, New York 17, N. Y.), April, 1955. 50 cents. In the event of a complaint about quality of merchandise, no conscientious business man need fear the facts, says the author. Pointing up his advice with a number of examples, he recommends prompt handling of complaints before they have a chance to fester and grow, and getting at the truth and staying with it until the mistake has been put right.

FINANCIAL MANAGEMENT

ORGANIZATION AND ADMINISTRATIVE POLICIES OF AN INTERNAL AUDIT DEPARTMENT. By H. E. Alspach. *The Internal Auditor* (120 Wall Street, New York 5, N. Y.), March, 1955. $1.00. This comprehensive account of the organization and administration of the internal audit department of the Ford Motor Company includes a full description of the form and content of its audit reports, staff-training methods, and the coordination of the work of the department with that of the company's public accountants.

PLANNING CAPITAL EXPENDITURES FOR FUTURE EARNINGS. By John M. Schultz. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), March, 1955. 75 cents. In the author's view, a good capital expenditure program entails the following steps: (1) careful study of new ideas; (2) inclusion of promising projects in a five-year forecast; (3) preparation of an annual budget and supplemental reports; (4) authorization and construction controls; (5) continuous appraisal of profitability; and (6) close follow-up of abandoned projects, to minimize idle investment. He analyzes each of these stages in the light of his own company's experience.

GEARING BENEFITS TO FINAL PAY. *Employee Benefit Plan Review* (166 West Jackson Boulevard, Chicago 4, Ill.), March, 1955. 50 cents. A report of a speech by H. M. Bardt, vice president of the Bank of America, on changes in pension plans. Referring specifically to plans recently adopted by

some larger banks, he points out that these are now based on the dual premise that a retired employee should receive an income in some manner related to his salary during his final years of service, and that this income should reasonably reflect the cost of living at the time of retirement. Six versions of such "final pay" plans are analyzed and compared.

COST ANALYSIS FOR GROWTH AND PROFIT. By Charles H. Sevin. *Cost and Profit Outlook* (1401 Walnut Street, Philadelphia 2, Penna.), April, 1955. Gratis. A powerful, but comparatively neglected, management tool for increasing marketing efficiency, reducing distribution costs, and achieving growth is afforded by the analysis of marketing costs, the author points out. Here he shows how distribution cost analysis can be used to locate unprofitable sales segments and determine the extent of the losses caused by the disproportionate spreading of marketing efforts, as well as to indicate the policies and methods needed to increase net profits.

FASTER DEPRECIATION—THE GLITTER'S NOT ALL GOLD. By I. Wayne Keller. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), April, 1955. 75 cents. In discussing the more rapid write-off of depreciable assets now permitted under the Internal Revenue Code of 1954, the author points out that the only tangible advantage to be derived from faster depreciation is the quicker recovery of cash. If this is not essential, rapid write-off is of questionable value, he declares. He gives a careful analysis of the major problems involved in adopting the declining-balance or sum of the years-digits methods of depreciation.

INSURANCE MANAGEMENT

BOILER INSURANCE TODAY. By Walter R. White, Jr. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), April, 1955. While one of the greatest advantages of the power plant insurance contract is its flexibility, this same flexibility often results in the contract's being misapplied, and many misunderstandings between the insured and the insurer, the author points out. Here, he explains the clauses in the boiler policy that are likely to cause difficulty to the buyer of this type of insurance.

CREDIT INSURANCE: ITS HISTORY AND FUNCTIONS. By J. L. McCauley. American Credit Indemnity Company of New York (First National Bank Building, Baltimore 2, Md.), 1955. Gratis. Confining his observations to industrial credit insurance, which he defines as a guaranty of the insured's working capital invested in accounts receivable, the author here briefly outlines the history of this type of insurance, explains the elements of the credit insurance contract, and enumerates the types of policies that are available. A discussion of the basic features of credit insurance and a number of pointers on policy analysis are included in this comprehensive survey of the subject.

AGENTS SHOULD LIVE WITH PROBLEMS OF CLIENTS. By A. L. Benjamin. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), March 26, 1955. 25 cents. In this article, based on an address given at the annual Southern Agents Conference of the National Association of Insurance Agents, the author outlines his views on what the insurance buyer can reasonably expect from his agent. Among the requirements of the ideal agent he singles out a knowledge of, and interest in, the client's business, the courage to tell him where he may be wrong, and the ability to analyze his particular needs and build up a specific program to cover them.

AN ACCOUNTANT LOOKS AT BUSINESS INTERRUPTION COVERAGE. By Marion E. Newman. *Northwest Insurance* (National Building, 529 Second Avenue South, Minneapolis, Minn.), April, 1955. 20 cents. In the event of a fire or other loss causing a suspension of business operations, the operating or profit-and-loss statement requires protection, as well as the balance sheet, the author points out. Here he surveys the factors that must be taken into consideration in providing this protection and points up the role of the accountant in adjusting a loss of this kind.

Survey of Books for Executives

FINANCIAL PUBLIC RELATIONS: *For the Business Corporation.* By Herman S. Hettinger. Harper & Brothers, New York. 204 pp. $3.50.

Reviewed by Edward K. Moss*

When this book was written the author undoubtedly could not have guessed that there were just over the horizon at least three spectacular ventures in the field of financial public relations practice that would capture the interest of millions of persons far beyond the ordinary bounds of public concern with company finance. These ventures have since provided dramatic demonstrations of the need for and value of skills and techniques which assure adequate public understanding of corporate financial management.

The three striking examples are, of course, those campaigns for public support by opposing factions seeking to gain or maintain control of the New York Central, the New York, New Haven & Hartford Railroads, and Montgomery Ward. Although the writing of the book antedates these three battles, it is noteworthy that virtually every method used by both sides in these campaigns is neatly and clearly delineated in the present volume.

As W. Howard Chase, president of the Institute for Communications, states in his introduction, this book is "the first true classification of the techniques and skills of financial and stockholder relations." The book is not, of course, a blueprint of how to rally public support in such titanic battles as those we have recently witnessed, but rather a statement and guide to what is involved in financial public relations programs for companies that recognize that a corporation—like any other institution of a free people—can survive only with the consent and understanding of its various publics.

Principal emphasis is placed on the situation faced by the large middle group of corporations and what they can do in the field of financial and stockholder relations. But appropriate attention has also been given to the large and the relatively small companies.

The material is presented to meet the interests of both the general executive concerned with financial and stockholder relations and the specialized practitioner upon whom the day-to-day activities may devolve. Background information is presented regarding the situation faced by the average corporation, the characteristics of the investing public, and the organization and workings of the financial community, considered as a means of placing this specialized area of public relations in sharper perspective. Most of the book, however, is centered primarily upon the strategy, kinds of activities, media, and techniques that contribute to an effective financial and stockholder relations program.

Among the advantages which Mr. Hettinger properly lists as accruing from such programs is proper evaluation by the financial community of the company's securities in relation to those of other companies in the same

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or allied industries; more accurate reflection by the market of the corporation's position, earnings, and prospects; a broader base of stock ownership; and shareholder support during periods of temporary adversity.

Expansion and diversification by merger and purchase involving exchange of shares—procedures which have characterized the postwar period—are given special attention from the standpoint of the need for a forceful information program. As the author says: "Developments such as these do not become widely known or appreciated simply because they occur. . . that which has been achieved by specific concerns in the melange of corporate existence must be set forth in sharp perspective if it is to receive its due."

Mr. Hettinger's book carries with it the advantage of his consulting experience with a wide range of industries and a large number of companies as vice president of D.M.S. Hegarty and Associates, Inc. It deals not only in concepts and precepts but also with the organization of a program and the details and techniques of its execution, including publicity, annual reports, basic reports, stockholder meetings, personal contact, and even a guide to physical production of informational materials.

A financial and stockholder relations program is today an unavoidable responsibility of any corporation whose stature or degree of public ownership makes its affairs of interest to others outside its own management. As the development of such programs becomes increasingly widespread, public support of individual companies and of American corporate enterprise will increase. This book is a major aid to management understanding and effective practice toward these ends.

THE STRUCTURE AND GOVERNMENT OF LABOR UNIONS. By Philip Taft. Harvard University Press, Cambridge, Mass., 1954. 312 pages. $6.00.

Reviewed by James Menzies Black

The trouble with most books about labor and labor unions is that their authors take the long, long view. And are they detached and philosophical! Now, certainly, there is much to be said for complete objectivity. But it does tend to eliminate the human drama of men and their struggle for power which in labor particularly is marked by emotion and partisan intensity.

For there's one thing about the American labor movement—it's not dull. Its leaders are frequently flamboyant, always vital, and sometimes unhesitatingly ruthless. They have to be. If they weren't, they would never have got where they are. They are in a tough business; a business in which there's no room for sissies. They have stamped their personalities on the unions they lead—so much so, that in the mind of the public, and to a large degree in fact, their organizations are simply a reflection of their own ambitions and objectives.

Whoever thinks of the Mine Workers as having a life apart from John L. Lewis? Or the Autoworkers without Reuther? And, surely, there's no which-comes-first-the-chicken-or-the-egg question about Beck and his Teamsters (Hoffa notwithstanding). So when you consider the blood-and-guts possibilities of labor unions as a subject for an author, it's surprising there are so many pedestrian books about them. And it's a real pleasure when you come across one that's not only informative, but captures the living feeling of organized labor and the men who run it.

Such a book is Philip Taft's *The Structure and Government of Labor Unions.* It is scholarly and informative. At the same time, it is highly readable. And it provides a keen insight into the mind of labor, while it explains the machinery by which unions are operated. For author Taft, professor of economics at Brown University, in his illuminating study, not only traces the interrelation of the component parts of organized labor, but he supplies an accurate guide to its long-range objectives as an entity.

Taft starts by tracing the history of radicalism in the labor movement. It's his view that large unions have successfully resisted communist infiltration. He says that, "Communist boring from within the trade union is essentially of a different order from the activities of the socialists and other political dissidents, although the union opposition to the Communists is based upon fundamental and practical considerations." Among the reasons for labor's dislike of the Reds are: objection of unions to having an outside group control their policies; objection of unions to Communist activity as a threat to internal discipline.

These are observations that few will dispute. For essentially they are quite correct. But, in a way, it's an oversimplification. It is true that the AFL never needed rose-colored glasses to spot a Red. But the CIO's record is checkered. This union is somewhat of a Johnny-come-lately to the ranks of the anti-Communists, and though it is as militant as all get-out now, it was not until 1948 that it gave the Communists the boot. Very frankly, if the CIO had begun its resistance a little earlier, it would not be troubled with the problems it faces today with the United Electrical Workers, and the Mine, Mill and Smelter Workers.

Professor Taft's chapters on the dues and initiation fees of union officers, and on discipline and appeals in labor unions are useful and enlightening. His conclusions that disciplinary penalties are usually imposed for violation of trade union rules, and rather infrequently over such issues as free speech or the publication of unauthorized materials, are based on sound study and should be called to public attention. But you come to the heart of the matter when he begins to discuss the differences between the CIO Steelworkers and the UAW-CIO. It's a penetrating analysis and shows a deep understanding of labor.

In accounting for the differences—the strident factionalism and the bitter arguments in the UAW, the almost complete absence of these traits in McDonald's union—Taft points out that the automobile workers were organized from the top down; hence they lack the grass roots strength that is characteristic of the Steelworkers. He adds that as the UAW matures, its internal quarrels will diminish; that it will become more like its older rival. However, that maturity hasn't been reached yet.

In discussing the Teamsters, Taft says that if President Beck's plans are even partially realized, his union will become the matrix in which several labor organizations will develop. These unions would be in a position to devise their own policies and tactics in harmony with their needs. This form of organization would eliminate the weakness of the federated form of union, and would lead to a greater concentration in the sense that working from diverse industrial backgrounds would be subject to a common direction that does not now exist in the labor movement. He accurately compares Beck's plans to John Lewis' catch-all District 50. And it must be admitted that Lewis' idea was a good one. The reason for the relative failure of District 50 lies not within the idea,

but rather in the obstinate refusal of the Mine Workers' president to permit it to secure N.L.R.B. recognition. This puts the union at a great disadvantage organization-wise. Mr. Beck will make no such mistake.

The only criticism that we have of Professor Taft's book is the way he glosses over the question of one aspect of opposition within the labor union itself. He says candidly that there is seldom open opposition to the leadership of a labor organization by ambitious business agents who want higher office. He points out that unions consider it necessary for the sake of efficiency to operate what amounts to a one-party system. This, admittedly leads to the establishment of ruling hierarchies, sometimes hereditary. We go along with the Professor this far. But where we part ways is when he says there is no evidence of fear on the part of rank-and-file members to protest the conduct of officers. To back his argument he points to hundreds of appeals to national officers in unions that he has studied. While he is undoubtedly right by the record, the very fact that unions are run by hierarchies is not an inducement for the ordinary member to make a kick when he doesn't like policy. Who wants to fight city hall?

But this is a minor point. Professor Taft has contributed a major book to the body of material on labor relations. We could even say "significant" except that the word has been working overtime. It is a book that should be read by all of management. But particularly should it be on the desks of those executives who are charged by their companies with the responsibility of dealing with unions. It will add immeasurably to their understanding of organized labor.

Briefer Book Notes

[Please order books directly from publishers]

MAN, MOTIVES, AND MONEY: ***Psychological Frontiers of Economics.*** By Albert Lauterbach. Cornell University Press, Ithaca, N. Y., 1954. 370 pages. A study of the psychological processes that cause or influence economic activities. The author stresses the complexity and elasticity of the motivations that guide economic decisions and acts, the changing effectiveness of various possible incentives for efficiency and productivity, and the changing valuations and definitions of the concepts of efficiency and productivity themselves.

THE GUARANTEED ANNUAL WAGE. By Robert C. Haller. Albert Ramond and Associates, Inc., Chrysler Building, New York 17, N. Y. 1955. 32 pages. Gratis. Discusses the pros and cons of guaranteed wages, as formulated by a number of labor, management, and professional representatives, and the problems involved in implementing wage guarantees.

DEPRECIATION. By Eugene L. Grant and Paul T. Norton, Jr. The Ronald Press Company, 15 East 26 Street, New York 10, N. Y. 1955. 504 pages. $7.50. This revised edition of a standard reference book contains all the major changes in depreciation allowances made possible by the 1954 Revenue Code. The authors have added a new chapter explaining which of the many methods now permissible are best for different classes of assets and in different business situations.

GROUP COHESIVENESS IN THE INDUSTRIAL WORK GROUP. By Stanley E. Seashore. Institute for Social Research, University of Michigan, Ann Arbor, Mich. 1955. 107 pages, $2.00. (cloth-bound, $2.50). A study of the formation of group solidarity in an industrial setting, and of its relationship to productivity as well as to the mental health and adjustment of the members of the group. The findings, based on questionnairing of 5,871 members of 228 designated work sections in a midwest machinery factory, appear to show that "cohesiveness" has a favorable influence on morale, but that its influence on productivity is contingent upon management's success in developing the right organizational "climate."

THE UNION MEMBER SPEAKS. By Hjalmar Rosen and R. A. Hudson Rosen. Prentice-Hall, Inc., New York, 1955. 247 pages. $4.95. This inquiry into how union members view their organization and the effect of their views on union power is based on a survey of the attitudes of members of District No. 9, International Association of Machinists, AFL, conducted by the Institute of Labor and Industrial Relations of the University of Illinois. The problems and methods of conducting the survey are explained in a detailed series of appendices.

THE SOCIOLOGY OF WORK. By Theodore Caplow. University of Minnesota Press, Minneapolis 14, Minn., 1954. 330 pages. $5.00. Defining the sociology of work as "the study of those social roles which arise from the classification of men by the work they do," the author surveys the occupational system in the light of such topics as specialization, occupational status, mobility, the patterning of individual careers, the occupations of women, and the prospects for continued improvement of working conditions. Includes an extensive bibliography.

TECHNICAL WRITING. By Gordon H. Mills and John A. Walter. Rinehart and Company, Inc., New York, 1954. 463 pages. $4.50. A study course in the kind of writing engineers and physical scientists are called upon to do as part of their professional work. Based on an investigation carried out in collaboration with more than 300 industrial and research organizations, it covers the basic principles of technical writing, problems of style and special techniques, various types of technical reports, the use of libraries, and the writing of library research reports. Numerous samples of actual technical writing are quoted and commented upon.

ECONOMIC PROBLEMS OF RETIREMENT: *A Report on the Fourth Annual Southern Conference on Gerontology.* University of Florida Press, Gainesville, Fla. 1954. 180 pages. $2.50. The main themes of this conference on the economic problems associated with aging and retirement were pensions and savings, and the problems of protecting and supplementing savings in retirement. This report of the proceedings includes papers and panel discussions on workers' savings, industrial pensions and retirement plans, government policy on retirement plans, investment management for pensioners and pension funds, and employment opportunities for the over-65 age group.

AMERICA'S RESOURCES OF SPECIALIZED TALENT: *The Report of the Commission on Human Resources and Advanced Training.* Prepared by Dael Wolfle. Harper and Brothers, New York, 1954. 332 pages. $4.00. The findings of a four-year investigation into the nation's present and potential supply of trained personnel in the natural and social sciences, the humanities, and other specialized fields. Among the many aspects covered are college graduation trends, the occupational distribution of college graduates, supply and demand in specialized fields, the potential supply of specialists, and various ways of making better use of this potential supply. The text is accompanied by a number of charts and tables, and additional statistics are given in a series of appendices.

CASES IN PERSONNEL ADMINISTRATION. By Ben Lindberg. Prentice-Hall, Inc., New York, 1954. 586 pages. $6.50. These 64 case histories, selected to illustrate the actual challenges met by personnel men in business and industry, cover a wide range of situations. Intended primarily for students, the book affords a practical exercise in most aspects of personnel work, including recruiting, interviewing, testing, supervisor development, job training, job evaluation, union-management relations, fringe benefits, and personnel research.

ADJUSTMENT LETTERS HANDBOOK. By John Prout. Prentice-Hall, Inc., New York, 1954. 288 pages. $4.95. An entertainingly written handbook containing some 300 tested adjustment letters developed by 50 companies as well as examples from the author's own extensive experience. Divided into two main parts—how to write adjustment letters and how to handle specific adjustment problems—it offers practical advice on numerous aspects of complaints correspondence, including tested opening and closing sentences, admitting faults, when and when not to use form letters, how to handle chiselers and chronic complainers, and how to say no.

PRIVATE EMPLOYEE BENEFITS IN DISTRIBUTION. Domestic Distribution Department, Chamber of Commerce of the United States, Washington 6, D. C. 1954. 32 pages. $1.00. The results of a survey of the employee benefits provided by 1,208 companies in the distribution field. The findings, which are given in both tabular and chart form, show that hospitalization, surgical coverage, and life insurance are now standard personnel practices among distributors of all types, sizes, and locations, and that most of them also have either formal or informal sick leave plans. Over one-third of the businesses surveyed had retirement pension programs and prepaid medical care plans.

HOW TO LAND THE JOB YOU WANT. By Jules Z. Willing. The New American Library, 501 Madison Avenue, New York, N. Y., 1954. 192 pages. 35 cents. An excellent guide for the job-seeker, written by a leading personnel consultant. Illustrated by many examples drawn from the writer's wide experience in personnel work, it offers practical advice on every aspect of job-hunting, including résumé writing, job-seeking by mail, the use of employment agencies, and the handling of job interviews.

FRONT LINE COST ADMINISTRATION. By W. C. Cooling. Book Division, Conover-Mast Publications, Inc., New York, 1955. 259 pages. $5.00. A handbook on cost control and administration for foremen and supervisors. Explaining various techniques of industrial engineering, illustrated by practical examples, it covers many aspects of the foreman's function as a "front line administrator" of management policies that control manufacturing costs.

PROCEEDINGS OF SIXTEENTH CONFERENCE, TEXAS PERSONNEL AND MANAGEMENT ASSOCIATION. University of Texas, Austin, Texas. 1954. 93 pages. $2.00. An excellent series of papers on a wide range of topics. Among the subjects discussed are aspects of mental health among supervisors and executives, improving the caliber of supervision, the industrial relations function, controversial issues in training, and the personnel background and policies of the Ford Motor Company.

THE INFLUENCE OF PLANT SIZE ON INDUSTRIAL RELATIONS. By Sherrill Cleland. Industrial Relations Section, Princeton University, Princeton, N. J. 1955. 65 pages, $2.00. The second of a series of reports on a study of industrial relations practices and policies in 82 manufacturing plants in the Trenton labor area. In this report, plant size is considered as a factor in union organization, wage and personnel policies, personal relationships, and industrial relations generally.